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World Business Newspaper http://www.FT.com WEDNESDAY AUGUST 7 1996

Italy plans to go ahead with $16bn telecoms sell-off

Italy's centre-left government said it would go ahead with the L25,000bn ($16.38bn) privatisation of telecoms group Stet, despite strong opposition from unions. The privatisation is part of a Europe-wide liberalising of telecoms, and the Italian government hopes the sale will be seen as a sign of its willingness to open the economy to outside investors. Page 10; Japan waits for call, Page 9

European bonds hit by rumours: European bond markets were hit by rumours raising doubts over the timing of monetary union. French government bonds were heavily sold following talk that that France and Germany were considering an official delay in Emu. Bonds, Page 16; Markets, Page 28

Calls for OECD budget cuts: The Organisation for Economic Co-operation and Development is facing pressure for sweeping reform and budget cuts. The criticism comes as the US, the group's biggest donor, announced it will cut its budget contribution. Page 10

Brussels warning over US sanctions: The European Commission warned that new US sanctions on Iran and Libya had serious implications for the security of energy supplies to the European Union, and said it was examining options for EU retaliatory action. Page 4

KLM shares hit by poor quarter

KLM Royal Dutch Airlines blamed lower fares, a weak cargo market and higher costs as it reported first-quarter operating profits halved from Fl 164m to Fl 80m ($50m). KLM shares fell more than 8 per cent on the news. President Piet Bouw (left) blamed the fall on the rise of "low-cost, no-frills carriers". Page 11

British extradition order overturned: The British High Court has rejected a government decision to extradite a businessman to Hong Kong to face £4.5m ($7.02m) bribery and corruption charges. Ewan Launder claimed he faced the death penalty if forced to stand trial in Hong Kong once it is taken over by China.

General Motors, the biggest US car manufacturer, announced plans to expand its successful Saturn car unit in the US by launching a midsize model to add to the existing range of smaller vehicles. It will be built at GM's Wilmington plant in Delaware. Page 11

Dole ignores abortion setback: Presumed Republican presidential nominee Bob Dole concentrated on his tax-cutting programme in a party committee address, ignoring his apparent failure to persuade the party to adopt a more tolerant attitude towards abortion. Page 3

Westinghouse Electric, the US industrial conglomerate being transformed into a media company, announced a second-quarter operating profit of $27m but warned of worse to come for the third three months of the year. Page 13; Lex, Page 10

Typhoon damage boosts Taiwan shares: Taiwan share prices rose just over 3 per cent following expectations of a boost to the building sector in the wake of destruction by Typhoon Herb last week. Page 5

Syria rejects Israeli talks offer: Syria rejected an offer by Israeli prime minister Benjamin Netanyahu to resume peace talks on a "Lebanon first" basis, spelling out Israel's terms for withdrawing troops from Lebanon. Page 4

British Petroleum, the UK oil group, announced an 18 per cent dividend rise after reporting record first-half, pre-exceptional profits of £1.28bn ($1.99bn), a 28 per cent increase over the first half of 1995. Page 11

Hanoi backs railway project: The Vietnamese government gave a boost to a $70m proposal by two British companies to upgrade the country's dilapidated rail system. Page 4

Japanese move on food poisoning: Japan declared a food poisoning germ that has killed seven people a contagious disease, invoking a rarely used law to give authorities greater powers to contain the illness.

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STOCK MARKET INDICES

New York lunchtime		
Dow Jones Ind Av	5,654.31	(-19.97)
NASDAQ Composite	1,121.08	(+0.55)
Europe and Far East		
CAC40	1,999.34	(-13.85)
DAX	2,522.47	(+1.54)
FT-SE 100	3,788.4	(+0.1)
Nikkei	20,744.86	(-332.59)

US LUNCHTIME RATES

Federal Funds	5⅛%
3-mth Treas Bills: Yld	5.176%
Long Bond	90⅞
Yield	6.741%

OTHER RATES

UK: 3-mo Interbank	5$\frac{13}{16}$%	(5¾%)
UK: 10 yr Gilt	98⅛	(98$\frac{1}{32}$)
France: 10 yr OAT	106.45	(106.65)
Germany: 10 yr Bund	99.78	(99.69)
Japan: 10 yr JGB	98.8714	(98.0709)

NORTH SEA OIL (Argus)

Brent Dated	$19.565	(19.58)

GOLD

New York: Comex (Dec)	$394.4	(395.0)
London: close	$390.6	(389.2)

DOLLAR

New York: lunchtime		
£	1.53775	
DM	1.48355	
FFr	5.054	
SFr	1.20545	
Y	106.885	
London:		
£	1.5375	(1.5439)
DM	1.4843	(1.4813)
FFr	5.0520	(5.0365)
SFr	1.2058	(1.202)
Y	106.925	(106.63)

STERLING

DM	2.2821	(2.2869)
Tokyo close:	Y 106.645	

Japanese banks get warning

Inquiries after Daiwa fiasco reveal serious failings in New York offices

By Gerard Baker in Tokyo

The Bank of Japan is to order several leading banks to improve the quality of the management of their overseas branches following the discovery of serious shortcomings in the operations of their New York offices.

The move follows an investigation by the central bank of the banks' New York branches and subsidiaries. It represents an attempt by the authorities to avert a repeat of the Daiwa Bank fiasco last year in which one of the largest Japanese banks lost more than $1.1bn in illegal bond-trading in the US, partly as a result of lax management.

A central bank official declined to reveal the identities of the banks that it had examined but said they were all "major banks". The inquiry unearthed a range of management failures in both market risk management and general internal office management. Most notably and embarrassingly, several banks had failed to separate properly the functions of front and back offices.

It was this lack of separation of dealing and settlement functions that was central both to the Daiwa irregularities and to the losses that led to the collapse of Barings, the British investment bank, last year.

In the Daiwa incident, Mr Toshihide Iguchi, the bond dealer subsequently convicted of fraud, had been running both the front and back offices for some time, enabling him to cover up the huge losses he accumulated over an 11-year period.

It later emerged that the bank's local management had colluded in covering up the losses and the bank was subsequently given a hefty fine and expelled from the United States.

The Bank of Japan's investigation, conducted between last December and this spring, also uncovered weaknesses in the banks' management of securities. Systems to prevent fraud in electronic transactions had been found to be inadequate. The official also said that the overall management approach of some branches had been weak. Some managers appeared to have scant interest in managing risks.

The revelations will further embarrass Japanese banks, which had claimed to have improved their management systems.

In the immediate aftermath of the Daiwa affair, all Japanese banks faced an increase in the cost of borrowing in international markets because of concerns about the quality of their risk management.

International investors remain nervous about the country's financial institutions which are still grappling with a range of other, mostly self-inflicted problems. Most troublingly, they are continuing to labour under a heavy burden of losses from some spectacularly reckless lending in domestic and international markets in the late 1980s.

Scientists find 'fossil evidence' of life on Mars

By Daniel Green

Scientists are believed to have found the strongest evidence yet that there has been life on Mars.

Details of what is believed to be a fossil of a microscopic moss-like organism that may have lived more than 1bn years ago are due to be published next week in the US journal Science.

The discovery could end the debate over whether life is unique to Earth. It could also encourage the US government to reconsider its space programme, which has suffered budget cuts in recent years.

The fossil was found in a rock blown off the Martian surface millions of years ago. It drifted through space before landing in Antarctica as a meteorite 13,000 years ago.

It was collected in 1984, identified as Martian in 1991, and split into tiny pieces for study by scientists around the world. The team behind the Science paper include Nasa scientists.

The rock was confirmed as Martian by comparison with samples picked up 20 years ago by US unmanned Viking space probes. Radioactive dating put the age of the fossil at between 4bn and 4.5bn years old. But it may have been deposited there at a date as water filtered through the rocks.

The discovery would be a remarkable reversal in scientific understanding. The Viking probes found a desolate cratered world whose "polar" caps were frozen carbon dioxide and whose thin atmosphere let through lethal cosmic rays.

The find is a long way from supporting Victorian ideas of Mars as a planet with life, based on the red lines visible on the planet's surface which they thought were canals. British scientists at London's Natural History Museum have already studied fragments of the rock revealing remnants of organic material possibly from underground water reserves.

Rebels kill 16 soldiers in Grozny as president goes back to work

Yeltsin faces new Chechen crisis on his return

By John Thornhill in Moscow

President Boris Yeltsin returned to work in the Kremlin yesterday after a month of rest, and immediately chaired a meeting on the Chechnya crisis as 16 Russian soldiers were killed in Grozny, the capital of the rebel republic.

The main evening news showed only fleeting glimpses of Mr Yeltsin in talks with senior officials, and although he was smiling and shaking hands, he appeared to be moving hesitantly.

With his inauguration as president just three days away, Mr Yeltsin's in-tray was overflowing. The independent coalminers' union threatened a nationwide strike over delayed wages, and a mysterious explosion rocked one of Moscow's main roads just minutes before the car of Mr Victor Chernomyrdin, the prime minister, was due to pass.

After the meeting with senior officials on Chechnya, Mr Yeltsin vowed to take "adequate" measures to respond to the latest separatist assault. But he held out no hope of a longer-term solution to the 20-month conflict.

Despite the recent appointment of Mr Alexander Lebed as secretary of the security council, the fighting in Chechnya has intensified since the presidential elections and the Kremlin has reverted to a more confrontational stance.

Back at his desk: Boris Yeltsin (right) with his prime minister Victor Chernomyrdin in the Kremlin yesterday Picture: AP

While running as a presidential candidate, Mr Lebed had sharply criticised the conduct of the campaign and promised to resolve the conflict by peaceful means on entering the Kremlin. But Mr Sergei Stepashin, secretary of the Russian state commission on Chechnya and former head of the Federal Security Service, yesterday branded senior Chechen leaders "international terrorists" and demanded their prosecution.

Russian security officials dismissed suggestions that the Moscow explosion was an assassination attempt on Mr Chernomyrdin, but were unable to explain its cause.

A series of bomb blasts in Moscow in recent weeks has caused widespread alarm, although nobody was hurt in the latest incident.

Mr Alexander Shokhin, deputy speaker of parliament, said the blast was an attempt to "exert psychological pressure" on the prime minister at a critical time.

Parliament is due to discuss Mr Chernomyrdin's reappointment as prime minister immediately after Mr Yeltsin's inauguration. Mr Yeltsin told Mr Chernomyrdin to get a grip on an energy crisis in the Far East where more than 10,000 miners have gone on strike, demanding back pay. Mr Vitaly Budko, head of the independent miners' union, warned there could be a nationwide strike if the government did not meet its demands.

Moscow import tax, Page 2

Croats and Moslems agree to share power in Mostar

By Laura Silber in Belgrade

Bosnian Croat leaders in Mostar finally agreed yesterday to co-operate with Moslem politicians in running the city, ending a bitter dispute which had raised fears about the viability of Bosnia-wide elections next month.

"We have reached an agreement which was signed by both parties," said Mr Dragan Gasic, a spokesman for the European Union, which has administered the city since 1994 and been struggling in recent days to overcome Croat obstruction.

The breakthrough came as presidents Slobodan Milosevic of Serbia and Franjo Tudjman of Croatia, the two most powerful politicians in former Yugoslavia, said they would meet in Athens today in a bid to normalise their countries' relations.

The resolution of outstanding territorial and financial issues between Belgrade and Zagreb is one of the last unfinished pieces of business in the regional peace process.

Success would mean that the constituent republics of Marshal Tito's communist state, which collapsed in 1991, had agreed at last on terms for co-existence. But Serb-Croat meetings often raise fears among Moslems that the two larger ethnic groups are colluding at the expense of Bosnia.

In Mostar, EU mediators yesterday expressed relief when they broke a deadlock between Croats and Moslems after three days of exhaustive negotiations, salvaging the EU mission in the divided city.

The EU had threatened to abandon efforts to reunify Mostar unless the Croats ended their boycott of the city council and accepted the results of elections which a Moslem coalition won by a narrow margin.

The Croat boycott, which had threatened to derail the entire peace process, set a dangerous precedent for the Bosnia-wide poll scheduled for September 14.

The Croats and Moslems, allies according to the Dayton peace plan but bitter rivals who fought against each other in 1993, reached agreement only after negotiators from the European Union and the United States exerted intense pressure on Mr Tudjman and his nationalist proxies in Mostar.

The agreement, in part, gave in to Croat demands by saying that the city council would meet just once before a constitutional court, yet to be established, rules on the validity of the Mostar elections. But the deal stipulated that the court must rule within 60 days, allaying Moslem fears that the city council would not operate

Continued on Page 10

Albania	LEK 220	Gibraltar	£0.75	Lithuania	Lts 15.00	Qatar	QR13.00
Austria	Sch37	Greece	Dr400	Lux	LFr75	S.Arabia	SR12
Bahrain	Din1.250	Hong Kong	HK$20	Malta	Lm0.85	Singapore	S$4.30
Belgium	BFr75	Hungary	Ft230	Morocco	MDh16	Slovak Rp	Sk65
Cyprus	C£1.20	Iceland	IKr230	Neth	Fl 4.75	S. Africa	R12.00
Czech Rp	Kc60	India	Rs75	Nigeria	Naira90	Spain	Pta250
Denmark	DKr18	Israel	Shk7.90	Norway	NKr22.00	Sweden	SKr20
Egypt	E£5.00	Italy	L3200	Oman	OR1.50	Switz	SFr3.70
Estonia	EKr 22	Japan	Y500	Pakistan	Rs40	Syria	S£65.00
Finland	FM15.50	Jordan	JD1.50	Poland	Zl 5.50	Tunisia	Din1.750
France	FFr11.80	Kuwait	Fils.650	Portugal (m'land)	Es240	Turkey	L80,000
Germany	DM4.00	Lebanon	LL3,000			UAE	Dh12.00

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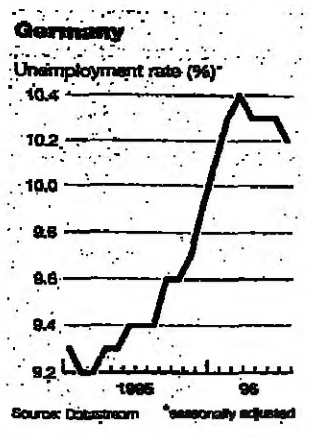

Boost in German orders underpins recovery

By Wolfgang Münchau in Frankfurt

A strong increase in industrial orders yesterday provided further evidence that the German economy has staged a surprisingly robust recovery from its winter slowdown.

The German economics ministry said yesterday industrial orders had risen by a seasonally adjusted 1.1 per cent during June, well above market expectations.

This followed a strong set of production data last week, which also pointed towards a strong second quarter rebound, after output fell in the last quarter of 1995 and the first quarter of this year.

But the apparent recovery has not yet translated into jobs. The Federal Labour Office yesterday reported a decline in seasonally adjusted unemployment by only 5,000 to 3.92m during July, equivalent to a fall in the unemployment rate from 10.3 per cent to 10.2 per cent.

The composition of the industrial order statistics shows that the increase has derived from domestic rather than foreign orders, while eastern Germany showed stronger growth rates than western Germany.

Mr Robert Prior-Wandesforde, European economist at HSBC James Capel, said the data indicated "the second quarter is strong, much stronger than a mere weather-related bounce-back would suggest. But it is our view that this is not telling us much about the second part of the year. The test will be what effect the exchange rate will have on growth."

Under a two-month comparison industrial orders went up by 1.5 per cent in May/June, compared to March/April. Orders for intermediate goods were up 3 per cent, consumption goods up 0.5 per cent, and investment goods down 0.5 per cent.

Orders in all three sectors, however, were lower than in the same two-month period in 1995.

The German economics ministry warned yesterday that unemployment would remain unsatisfactorily high until the end of the decade even on the assumption of solid economic growth.

Unadjusted unemployment went up by 127,000 during July, a figure bolstered by school leavers looking for jobs. The Labour Office said that were there only 85,000 jobs for 120,000 school leavers in the west of the country, and only 8,500 jobs for 60,000 school leavers in the east.

German industry blames the recession, high taxes, and high wage rises in previous years for the rise in unemployment.

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Rhineland-Palatinate pay rise expected to be a breakthrough

German state shop hours deal

By Judy Dempsey in Bonn

Retail unions and employers in the German state of Rhineland-Palatinate yesterday agreed on a 1.85 per cent annual pay increase, paving the way for the introduction of longer shopping hours in November.

Although the agreement embraces only one region, Mr Rüdiger Wolff, spokesman for the trade, banking and insurance (HBV) union, said it was a breakthrough as other regions were likely to use it as a model.

"The 1.85 per cent may not seem much as an annual pay rise. But if you look at the package for the longer shopping hours we are pleased," he said. Mr Gerhard Strümper, the employers' negotiator, said it was a good deal, although Germany's association of retailers described it as "absolutely negative" for the industry.

The HBV, which represents Germany's 3m shop assistants, had threatened to step up its strike action, begun last week to coincide with the start of the traditional summer sales. But the HBV was forced to accept the pay package against the background of high unemployment and low consumer spending, which have contributed to a retail slump.

Mr Wolff said the retailing sector had shed 40,000 jobs last year and expected to lose 30,000 more this year. His remarks confirm a recent report by Ifo economics institute which predicted retailing sales would grow by 1 per cent in nominal terms this year, stagnating in real terms.

Under the terms of the agreement, shop assistants, currently paid an average gross DM19.47 ($13.10) an hour, will receive a 1.8 per cent increase backdated to last May for 12 months. The HBV had originally demanded a 5 per cent pay increase. For the two overtime hours worked after 18.30 on weekdays and 14.30 on Saturdays, which comprise the new shopping times, the rate will increase by 20 per cent an hour. The unions had sought a 55 per cent rise during the four-month-long negotiations.

No employee will be required to work more than 8.5 hours a day, or more than three evenings beyond 18.30, or more than three Saturdays a month. The exceptions will be the four-day-a-week shift model whereby employees will be entitled to longer weekends. There will, however, be no extra pay for the existing four long shopping Saturdays before Christmas or the one long Saturday per month. Employees will be given time off in lieu.


Economics minister Yevgeny Yasin defended the tax on "shuttle-traders" at yesterday's cabinet meeting Reuter

Moscow seeks $950m from new import tax

By John Thornhill in Moscow

The Russian government expects to raise Rbs5,000bn ($950m) over the next year by a controversial increase in import duties on "shuttle-traders" – who import consumer goods in suitcases and backpacks – helping to bring the federal budget back into line with the economic programme agreed with the International Monetary Fund, senior officials said yesterday.

Mr Yevgeny Yasin, economics minister, yesterday defended the decision, which has caused a political furore. He said the government had had to take urgent measures to increase federal revenues to meet its social obligations and pay back-wages to striking coal miners.

The Sevodnya newspaper reported yesterday that the government was also planning to backtrack on some extravagant presidential decrees issued before the elections and postpone spending pledges amounting to Rbs50,000bn.

Mr Yasin yesterday disputed the sums involved and vowed that all the president's instructions would eventually be fulfilled. But he did concede that the timetable for implementing the president's decrees depended on finding the necessary resources.

He cited the government's poor rate of revenue collection and the widening budget deficit as the main reasons for the IMF delaying disbursement of last month's tranche of a $10.2bn budget support loan. But he was confident the IMF would resume disbursements later this month in the light of measures the government was now adopting.

"Our main aim is to improve the collection of taxes, to increase budget revenues and thus make a start in addressing what has become the key problem in the Russian economy," Mr Yasin said.

The intense pressure on government finances was highlighted yesterday by Mr Andrei Vavilov, deputy finance minister, who told a government meeting that the federal Treasury had received only 63 per cent of expected tax revenues in the first half of the year. Overall budget revenues had been 84.2 per cent of targeted levels in the period, although spending had also been lower than planned at 94.8 per cent.

Mr Yasin said improving federal budget revenues would yield many economic benefits. "Better tax collection and a smaller budget deficit mean not only better financing of expenditures, but also reduced government borrowings from the money markets, a lower burden on future budgets, and credits to industry at lower interest rates," he said.

Erbakan authorises Kurdish contacts

By John Barham in Ankara

Mr Necmettin Erbakan, Turkey's Islamist prime minister, has authorised several contacts by Islamist MPs and intellectuals with representatives of the Kurdish minority. They are intended as a tentative first step towards finding a political settlement to the 12-year Kurdish insurgency in south-eastern Turkey.

Mr Ismail Nacar, an Islamist writer, told the pro-government newspaper Sabah that Mr Erbakan had asked him to prepare a report on the situation in the south-east. He had also met Mr Murat Bozlak, jailed leader of the moderate Kurdish Hadep party, to discuss ways of halting the violence that has claimed the lives of more than 20,000 civilians, soldiers and guerrillas.

Although previous governments have said they favour a peaceful settlement, none has openly considered even indirect talks with the Kurdistan Workers party (PKK). Mr Erbakan has said Kurds and Turks can co-exist peacefully under Islam. His Refah party polled strongly in the south-east in last December's general election.

Mr Nacar said "the killings must be stopped first, and the PKK should prove it wants peace. The state cannot negotiate with terrorists, but if the PKK gives up [fighting], civilian organisations or individuals can negotiate with it. The PKK and Turkey can come to a point where they can negotiate a solution. The prime minister wants this problem solved peacefully."

Mr Fethullah Erbaş, an MP from Mr Erbakan's Refah party who is also involved in talks with Kurdish leaders, said the government also supported limited broadcasts in Kurdish on the state-owned TRT national television channel. Limited television broadcasts in Kurdish are already allowed in the south-east, an indication that the government is relaxing a once total ban on broadcasting in Kurdish. The PKK, itself, has not commented.

Even top members of Refah's junior coalition partner, the True Path party of Mrs Tansu Çiller, cautiously support talks. Mr Mehmet Gölhan, deputy chairman, accepted that indirect talks might be possible if the PKK gave up its arms.

However, previous incoming governments have often made conciliatory gestures to the Kurds, only to be overruled by the powerful armed forces. Mrs Çiller supported the army's scorched earth strategy against the PKK when she was prime minister in 1993-96 and rejected calls for talks after the guerrillas announced a ceasefire in December 1995. She also said yesterday she was unaware of the present contacts. "That is not in the government protocol."

Mr Erbakan's initiative has come under further attack from True Path right-wing hardliners. Mr Mehmet Ağagar, interior minister, said: "These conditions have not been discussed in the government. The state cannot negotiate with the PKK. Whoever wants to [surrender] can use the repentance law." This law gives partial amnesty to PKK deserters.

Physicians for Human Rights, a US organisation, said in a report yesterday that Turkish doctors were often forced to conceal "widespread and systematic torture" by security forces, writes John Barham. "Physicians are coerced to become the unwilling accomplices of the government in this practice," it claimed.

The report added that the government persecuted doctors in the mainly Kurdish south-east, which is under virtual martial law, on "the pretext that they are providing medical assistance to suspected terrorists". However, denying treatment would "criminalise the practice of medicine and equates humanitarian acts with threats to national security and acts of terrorism".

Doctors who did report torture of ordinary criminals or political prisoners alike were often dismissed, the report said. It claimed the government had even begun legal action against torture treatment centres run by Turkey's Human Rights Foundation, accusing doctors of acting without authorisation and failing to co-operate with police.

EUROPEAN NEWS DIGEST

EU to probe BSE milk link

The EU's scientific veterinary committee will next month examine all available evidence on whether "mad cow" disease, or BSE, can be transmitted through milk, the European Commission said yesterday. Its statement came in response to German calls for research into the safety of milk following last week's disclosure by UK scientists that BSE can be transmitted from cows to their calves. But the Commission stressed there were no known findings of BSE presence in milk, and therefore it was taking no action on milk at this stage.

It said there were no plans to bring forward the vets' meeting, scheduled for the first week of September. But it said the vets would examine the UK evidence on transmission of BSE to calves, which suggested that there was no risk attached to milk, and all other evidence on BSE and milk, and decide if any further research was required. *Neil Buckley, Brussels*

Airline credit ratings at risk

The continuing liberalisation of Europe's airline market threatens the credit standing of European airlines, particularly of national flag-carriers, according to the ratings agency Standard & Poor's. The airlines would represent a "significantly wider spread of credit strength than in the past", it said yesterday.

European flag-carriers, which in the past had been shielded from competition by regulation and "huge government subsidies", were likely to be most affected by the changing environment. "As implicit or explicit state support is gradually withdrawn, credit terms for flag-carriers are likely to trend downwards towards the stand-alone status of the business." However, S&P said it did not envisage an aviation "big bang" in Europe, because of the large carriers' domination of already crowded key hubs. *AFX, London*

Latvian drive to treat sewage

Latvia and Romania are to invest heavily to improve water supplies and reduce discharge of untreated sewage. Riga Water, which provides the Latvian capital with water and waste water services, is to invest $121m to reduce raw sewage discharge into the Daugava River and the Baltic Sea, one of the most polluted seas in the world.

The European Bank for Reconstruction and Development is making a $22.5m state guaranteed loan to Riga Water. The European Investment Bank is to lend $18.9m and there will be grants of $11.8m from Finland, Switzerland and Sweden.

The EBRD is lending $25m towards the $52.6m cost of upgrading municipal water and sewerage services in the Jiu valley, 300km north-west of Bucharest. Potentially one of the country's most important regions for alpine tourism, the valley has water supplies for only 8-10 hours a day, while less than 50 per cent of sewage is treated before flowing into the Jiu, a tributary of the Danube. The European Union is providing a further $10.2m. Bucharest is to invest $50m to improve the Romanian capital's deteriorating water supply system, supported by a $25m World Bank loan. Water is available for only 12 hours a day in many neighbourhoods. *Kevin Done, London*

Estonian protest at KGB deal

An Estonian cabinet minister resigned yesterday in a protest over a government decision to give retired Soviet military officers residence. Mr Endel Lippmaa, minister for European affairs, said he opposed the decision to grant temporary residence permits to more than 4,000 retired Soviet military officers who served in the KGB and other intelligence units.

"This decision creates a situation in which we have far more Russian officers than Estonian military officers," Mr Lippmaa, 67, said. "The huge number of former Russian Army officers who stay in Estonia will complicate the integration process [of Estonia] with the European Union and Nato."

Estonia's treatment of the one third of its population who are Russian speakers has soured relations with its former overlord. Most of Estonia's Russian-speakers have been excluded from the political process and denied citizenship on the grounds that they are Soviet-era "colonists" who must prove their loyalty to independent Estonia.

More than 15,000 retired Soviet and Russian officers have already received five-year residence permits, but not citizenship, as part of a deal which led to the withdrawal of Russian forces from Estonia two years ago. The government on July 10 extended temporary six-month permits to 4,000 retired officers with links to the KGB and other Soviet-era intelligence services whose status has yet to be determined. The decision has provoked protests from Estonian nationalists who view the officers as a potential "fifth column". *Reuter, Tallinn*

Ukraine held hostage by the clash of its clans

Competition between regional elites is blamed for political violence and changes in the fortunes of those vying for economic power, writes Matthew Kaminski

Ms Julia Timashenko's company is expected this year to sell nearly half the natural gas traded in Ukraine, the world's biggest importer of gas. That would give her United Energy Systems a turnover of $5bn, or 5 per cent of Ukraine's gross domestic product.

The phenomenal and rapid financial success of her company over the past four years has its nasty side, however. Ms Timashenko employs armed guards and openly worries about the safety of her teenage daughter, who is studying abroad.

It is also seen by commentators on Ukraine as having contributed to an unsettling of the delicate balance of power between Ukraine's regionally-based political clans that dispense economic privileges.

The centre of one of these clans is Ms Timashenko's home town – the large industrial complex of Dnepropetrovsk, where the former Soviet leader Leonid Brezhnev cut his political teeth. The area started churning out ministers and magnates for independent Ukraine's new elite when another of its sons, Mr Leonid Kuchma, was elected president two years ago.

"The internal political story of Ukraine is the potentially destabilising domination of the elite from Dnepropetrovsk," says Mr Sherman Garnett, an expert on Ukraine at the Carnegie Endowment for International Peace.

Observers say other groups – from the Donbass and Poltava regions, for instance – and large factory bosses have been particularly upset since Mr Kuchma dismissed the prime minister, Mr Evhen Marchuk, in May and brought in a loyalist from Dnepropetrovsk, Mr Pavlo Lazarenko.

> 'It is a story of the potentially destabilising domination of the elite from Dnepropetrovsk'

Last month Mr Lazarenko survived an assassination attempt which he at first blamed on opponents to his planned – and as yet unimplemented – closure of coal mines in the Donbass region. The investigation of the incident, in which a bomb exploded in a manhole as Mr Lazarenko's motorcade went past, has turned up nothing except wild rumours published in the local press.

The government used it as a pretext to clean house. The powerful governor of the industrial and coal-rich Donbass, Mr Volodymyr Sherban, was fired by presidential decree. Mr Sherban, a businessman turned politician, ruled his region with a tight hand, but had lost influence in Kiev after Mr Lazarenko became deputy prime minister last year before his promotion.

In nearly a year in the cabinet Mr Lazarenko, who shuns interviews, has handled the energy portfolio. His more controversial decisions concerned gas. To make sure Russia and Turkmenistan got paid for their gas exports and Ukraine cut the debt spiral, Mr Lazarenko – with prodding from the International Monetary Fund – brought in the private sector.

At the beginning of this year, eight independent wholesalers were appointed regional monopolies by the state oil and gas committee to buy gas from Russia and Turkmenistan and to barter contracts with all the still state-owned factories in a given region.

But a week before Mr Lazarenko's promotion, the eight companies were, in effect, whittled down to two. The committee directed that UES would sell 25.2bn cu m, some 10.3bn of them in Dnepropetrovsk and Donetsk, where most good Ukrainian factories are located.

Another company owned by a Moscow businessman and other so far unidentified groups, Itera, was awarded a franchise for 18.4bn cu m, the entire import of Turkmenistan gas.

Intergaz, which had been a successful distributor under the previous Ukrainian president when it was called Respublika, saw its award cut from 7.8bn cu m to just 3.82bn cu m. It lost the franchise for Odessa, among Ukraine's economically stronger regions. Its outrage, vented in the press, has yet to move the committee.

Olgaz similarly had its business cut in half. Mr Evgeny Bohdanov, its Moscow-trained general director, says his company did not have "sympathies in the government". He says UES did. But Olgaz plans to stay in the market: "In our country the government often changes. We believe we can survive."

Competitors, western investors and officials all say the market has been rigged.

"There's no reason why Ukraine could not have a competitive gas market," says a western economist. He says the way gas licences were disbursed has "created a monopoly" where politicians work together with the private companies to "extract the rents".

Mr Konstiantyn Borodin, who edits the Ukrainian Oil & Gas Report, says Mr Sherban, the fired Donbass governor, came into conflict with Kiev when he authorised the Industrial Union of Donbass to co-ordinate energy supplies for the region. "He wanted to deny UES access to the final consumer, thus denying them profits."

A UK investor, JKX Oil & Gas, has also found it difficult to sell the gas condensate produced at its joint-venture operation in Poltava, a company official says.

Ms Timashenko defends UES. At first a co-operative allowed under the Soviet Union's *perestroika* (restructuring), the company started supplying energy-starved industrial giants with petrol, coal and gas. As the Soviet economy imploded and fuel shortages grew worse, it realised that in energy-guzzling Ukraine, power is the coin of the realm.

Two years ago Gazprom, the Russian monopoly producer, frustrated with Kiev's inability to force payment, approached UES, which had proven itself as middle man.

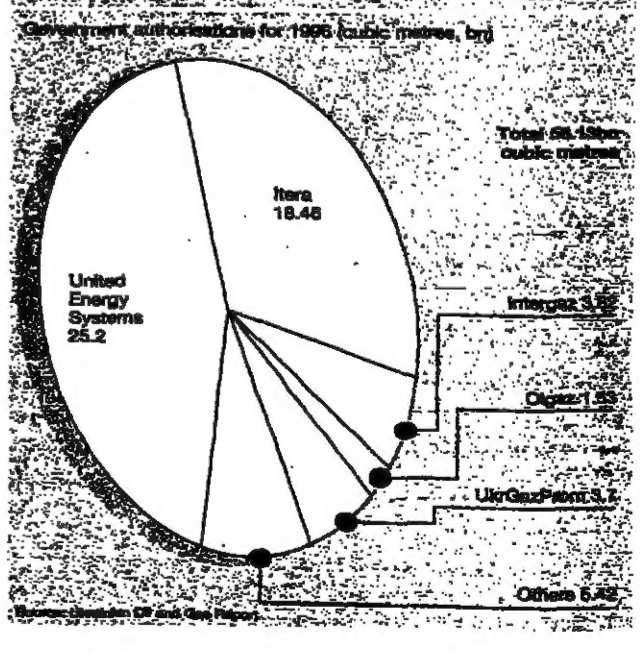
It supplied gas to UES and UES paid Gazprom with equipment the Russian company needed to maintain its pipelines. Domestic users paid UES in kind as well, which the concern sold at home or exported to cover costs and turn a profit.

"We fulfilled all our obligations to Gazprom," says Ms Timashenko.

UES and Itera are now among the country's five largest private concerns, analysts believe, though access to the companies' books is closed.

While some observers believe that clan politics may destabilise Ukraine, others think the emergence of strong companies may be good for the country's faltering economy.

"What do you do with all these profits?" one western official asks. "Not squirrel them away in a Swiss bank account" – previously the preferred destination for Ukrainian capital. "They must be re-invested," he says, and Ukraine would be the natural choice.



Dole ignores setback over abortion

By Jurek Martin, US Editor, in Washington

Mr Bob Dole yesterday chose to ignore the apparent failure of his attempt to persuade the Republican party to adopt a more tolerant attitude towards abortion, which has left open the possibility of a bitter public fight at next week's nominating convention.

In a satellite address to the party platform committee in San Diego, Mr Dole, the party's presumed presidential nominee, concentrated entirely on his tax-cutting economic programme, unveiled on Monday.

Mr Haley Barbour, the party's chairman, said this was the right approach, and implied that the economic uncertainties, rather than social issues such as abortion, would come to dominate the election campaign.

The previous night a platform sub-committee, dominated by social and religious conservatives, insisted the party hold fast to its longstanding demand for a constitutional amendment to ban abortion.

Mr Dole's preferred declaration of "tolerance", they said, could not be applied to what they saw as the fundamental moral issue of the termination of human life. Mr Barbour doubted that the sub-committee's decision would be reversed by the full panel.

"We're absolutely thrilled," said Mr Ralph Reed, executive director of the Christian Coalition lobby group. But some Republicans who favour abortion rights yesterday threatened to carry the battle to the convention floor on Monday when the proposed platform is due to be adopted.

Ms Ann Stone, head of Republicans for Choice, agreed in a TV interview that the religious right had demonstrated its political muscle, adding "and that's a message that I don't think Bob Dole can afford to have come across".

The developments in San Diego threatened to obscure the economic focus Mr Dole tried to bring to his campaign earlier on Monday with his $548bn tax cut package.

It also leaves him with a tricky tactical decision. A brutal floor fight over abortion may come to resemble the divisiveness so apparent at the party's Houston convention four years ago, prompted by the speech on "religious and cultural" wars from Mr Pat Buchanan.

The rightwing pundit, a candidate again this year, warned last week he could leave the party if the anti-abortion plank was weakened, a threat voiced by several leading religious conservatives.

However, Mr Dole is trailing President Bill Clinton badly among women voters, a majority of whom, according to surveys, do not want abortion to be outlawed. That may be a factor in Mr Dole's selection of a vice-presidential running mate, probably due to be announced in his home town of Russell, Kansas, on Saturday.

In addition, several prominent pro-choice Republican governors, ranging from Mr Pete Wilson of California to Mr George Pataki of New York, have publicly warned Mr Dole not to allow controversial social policy proposals to wreck party unity, as they did at the Houston convention.

Meanwhile, in sharp contrast, the Democratic party's platform committee essentially wrapped up its business in Pittsburgh in a few hours on Monday, without saddling Mr Clinton with any comparable political problems.

Search for a running-mate with everything the candidate lacks

No US presidential candidate ever turned round a losing campaign by choosing a good running-mate. Mr Bob Dole is hoping to be the first.

Now that Mr Dole has economic plans – he tried this week to define the "vision thing" which pundits and voters demand – he is ready to tackle the next big decision of his presidential campaign. He must choose a vice-president, and announce his choice, probably on Saturday.

The Republican candidate will be asking a lot of any prospective mate.

He wants someone who looks more immediately presidential than he does himself: young where he is old, fluent where he is tongue-tied, a healthy man or woman whom voters could trust to take over the presidency at a moment's notice from the oldest candidate ever to have run for a first term in the White House.

The rush to take the job has not been overwhelming. The most attractive candidates took themselves out of the running long before the party convention, which begins on Monday in San Diego. General Colin Powell, retired head of the Joint Chiefs of Staff and the essential half of any Republican dream-ticket, insists convincingly that he does not covet the vice-presidency. He is probably the only candidate who might have significantly helped Mr Dole to win.

Mrs Christine Todd Whitman, the New Jersey governor who is a happy combination of fiscal conservative, attractive female and moderate on the crucial issue of abortion, has said publicly, privately and repeatedly that she will not apply.

Governor George Voinovich of Ohio – ranked among the list of frontrunners last month because of his conservatism and the appeal of using him to secure an important midwestern state – cited some implausible reasons for declining. He said he wants to complete his term as Ohio governor and then become a US senator. Such ambitions might seem modest beside the promise of an open door to 1600 Pennsylvania Avenue.

Mrs Elizabeth Dole, Mr Dole's wife, would fulfil the condition of appearing more presidential than her husband – as a former member of two Republican administrations, she is an impressive campaigner and politician – but electoral law prevents her from twinning her spousal role with the vice-presidency. Mr Dole would never have chosen her in any case, wishing to avoid unflattering comparisons with the current husband-wife team in the White House.

Candidate Dole will struggle to fulfil his wish-list from among the remaining contenders: each can be proved to have some fatal flaw to keep him (they are all men) off the "dream-team".

Mr Dole has said he wants his candidate to be a "10 out of 10". He may be lucky to achieve half that.

No one outside Mr Dole's closest clique of advisers yet knows who he will choose. Perhaps he has not yet decided himself. His aides continue to drop broad hints that a surprise candidate might emerge.

But for the moment, speculation centres on a fluid shortlist.

It includes Senator John McCain of Arizona, former Vietnamese prisoner of war, who gets high marks for charisma and integrity. Republican pollsters says he rates highest with voters. But he has a messy divorce in his background, which could hurt his chances.

Governor John Engler of Michigan has similar marital demerits lurking in his past, as well as a scandal alleging that the portly Mr Engler deliberately over-ate back in the 1970s to avoid the Vietnam war draft. As a tax cutter and pioneer welfare reformer, he suits Mr Dole's policy needs, and might deliver the important midwestern state of Michigan: but he, like the candidate, is what the pundits, in a parody of political correctness, call "charismatically challenged".

Mr Dole might prefer another conservative midwestern governor instead: Mr Tommy Thompson of Wisconsin. Mr Carroll Campbell, former South Carolina governor, is another name plausibly on the shortlist: Mr Campbell helped orchestrate Mr Dole's crucial South Carolina primary victory after a humiliation in New Hampshire. He is a fiscal and social conservative who opposes abortion but, in his current job as a Washington lobbyist, might prove too big a target for anti-Washington voters.

Senator Connie Mack of Florida, also believed to be on the list, is a likable man whose past health problems may hurt his image as a counter-weight to Mr Dole's age.

Senator Don Nickles of Oklahoma may get the nod, as a member of the key religious-right voting bloc which Mr Dole may try to court. Mr Pat Buchanan, erstwhile rival for the presidential nomination, has tried to pressure Mr Dole to choose Mr Nickles; that may or may not improve his chances.

Mr James Baker, former secretary of state, might have appeal because of his past government experience.

Mr William Bennett, the former education secretary, is also sometimes mentioned as a dark-horse candidate.

Whomever he chooses, Mr Dole must heed the lessons of history: that vice-presidential candidates can hurt more than they help. He need only remember his own 1976 vice-presidential bid, when he was Mr Gerald Ford's running-mate. Mr Ford lost that election, thanks in part at least to the weak performance of candidate Dole.

Patti Waldmeir

Powell: out of the running

Engler: marital demerits

AMERICAN NEWS DIGEST

Menem defiant over tax calls

President Carlos Menem of Argentina yesterday said he would not bow to pressure from the International Monetary Fund to increase taxes to close the widening fiscal deficit, arguing it was better to crack down on evasion of existing taxes.

"Argentina is not under pressure and would not accept that kind of pressure," he said. "We will negotiate with the IMF in the appropriate manner."

An IMF team, which began to arrive in Buenos Aires this week, is likely to insist Argentina takes measures to control its ballooning deficit which, it is estimated, will reach $5bn in 1996, double the target agreed with the Fund.

Missed targets, for which Argentina will be forced to seek an IMF waiver, largely result from disappointing tax receipts, although July's tax take of nearly $4bn was cause for modest optimism.

The new economic team headed by Mr Roque Fernández, who took over from Mr Domingo Cavallo last month, is studying the possibility of raising taxes on diesel and petrol. But Mr Menem has opposed such measures.

Mr Menem, whose government tomorrow faces a general strike against recent spending cuts, insisted that growing social discontent would not weaken his political resolve. *David Pilling, Buenos Aires*

Oil groups warn of attacks

Leading oil companies have warned of a possible increase in terrorist attacks against US targets in Colombia if Washington's ties with the country deteriorate further.

The warning was made in a July 30 letter to Mr William Ramsay, deputy US assistant secretary of state for energy resources and economic sanctions, from representatives of 11 companies with investments in Colombia's oil industry. The text of the letter was made public on Monday by Colombia's ministry of energy and mines.

Among the companies which sent the letter were Bechtel, Dresser Industries, Drummond, BP America, Chevron, Occidental Petroleum, Texaco and Triton Energy.

Leftwing guerrilla groups operating across Colombia since the 1960s have targeted the country's oil and coal facilities for frequent attack.

On March 1 Washington decertified Colombia as a partner in US efforts to counter the drug trade, citing charges that President Ernesto Samper received millions of dollars in Cali cartel drug money to finance his 1994 election campaign. *Reuter, Bogotá*

Mexico arrests drugs suspect

Mexican authorities have captured Mr Pedro Lupercio Serratos, alleged to be the chief of the Jalisco drug cartel. The attorney-general's office said Mr Lupercio was arrested on Monday along with his brother, Mr Oscar Gerardo Lupercio Serratos, and two other men, one of whom is a former agent of the Federal Judicial Police.

The arrest, carried out by the army and the attorney-general's office, also netted cocaine, automatic rifles, three handguns and ammunition.

It was the first significant arrest of an alleged top narcotics trafficker since last year's detention of Mr Juan Garcia Abrego. He was extradited to the US, where he awaits trial. *Reuter, Mexico City*

NEWS: INTERNATIONAL

EU oil fears over US sanctions law

By Our Foreign Staff

The European Commission warned yesterday that US legislation imposing new sanctions on Iran and Libya had potentially serious implications for the security of energy supplies to the European Union, and said it was examining options for EU retaliatory action.

The legislation, signed by US President Bill Clinton on Monday, requires the president to penalise foreign companies investing $40m or more a year in the energy sectors of Iran and Libya.

But the Commission warned that 20 per cent of EU oil imports came from the two countries, and the legislation could affect EU supplies.

The EU already has retaliatory measures available in the form of draft "blocking" legislation published last week. This was drawn up to counteract the US Helms-Burton Act penalising investment in Cuba, but was made flexible enough to be applied to other cases where EU interests were threatened.

Commission officials are also considering an appeal to the World Trade Organisation, on the basis that the legislation breaches the 1993 General Agreement on Trade in Services.

EU companies including France's Total and Elf, Repsol of Spain, Petrofina of Belgium, Austria's OMV, and Germany's Veba and Wintershall have interests in one or other country. Agip, the Italian energy company, has a significant natural gas investment planned in Libya.

The French and German governments described the legislation as illegal.

There is particular concern that the law could serve as a precedent for future sanctions legislation, aimed at curbing EU trade.

Italian companies could be among those most at risk. Iran and Libya account for almost 44 per cent of the 85m tons of oil imported annually by Italy. Of this 24m tons comes from Libya, with half being imported by Eni, Italy's partially privatised oil company, through Agip, its production and exploration subsidiary.

Agip produces an average of 110,000 barrels per day from its Libyan fields and has plans to develop gas and bring a pipeline under the Mediterranean to Italy.

Eni, which was at pains yesterday to point out its historical links with Libya, is aware of its potential vulnerability; it has been listed since last year on Wall Street and is due to sell off another tranche of shares in the autumn.

Eni has no fixed investments in Iran.

The main issue appears to be whether funds spent in Libya on maintaining existing investments are regarded as "new" by the legislation – thus restricting all such flows to within the $40m annual limit.

French businesses with interests in the Middle East remain sanguine. Total said it would not be affected by the new conditions.

Washington, meanwhile, warned it would thwart attempts by Turkey's new Islamist-led government to forge closer trade links with Iran. Mr Necmettin Erbakan, the prime minister, is to visit Tehran on Sunday as part of a five-nation tour.

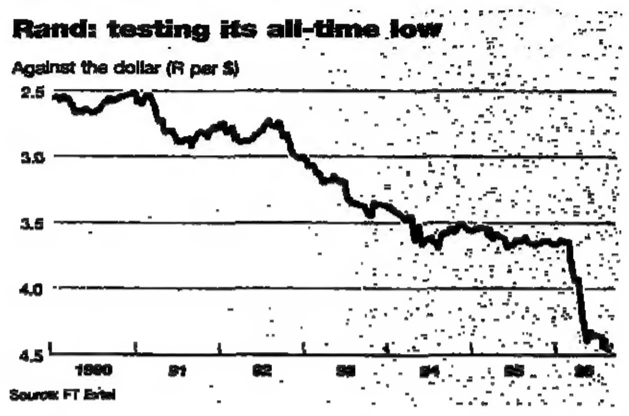
Reporting by Neil Buckley, Wolfgang Münchau, Robert Graham, Andrew Jack and John Barham.

Politics continue to dog S Africa's rand

Its value is set to reflect extent of commitment to free market, writes Roger Matthews

Mr Trevor Manuel, South Africa's minister of finance, says he is not losing any sleep over the falling value of the rand. He is convinced the country's economic fundamentals are sound. Inflation is edging up but is unlikely to breach 10 per cent, growth this year should be about 3 per cent, the government is committed to bringing down the budget deficit and has spelled out its determination to implement a programme of privatisation.

Rand: testing its all-time low



Source: FT Extel

But since the rand took its first serious tumble in mid-February it has failed to claw back any of the ground it has progressively lost against the dollar and last week again came close to its all-time low of R4.57, a depreciation of more than 20 per cent. Growth forecasts are being scaled down for next year and upward pressure on interest rates has resumed.

"For some reason a lot more attention has been paid to the more negative reports than to the positive ones," Mr Manuel told a group of business leaders last week. "What matters is the consistency of our approach. We have a long-term view and a broad programme that is to be implemented. It all hangs together. The cornerstones of our policy are in place. I am not sure, other than publishing next year's budget now, what one can do beyond that."

However, next year's budget will not be delivered until March 12. Dealers argue that it is too long to wait for government action and, in the absence of any more positive economic signals, the rand will remain vulnerable. In particular, questionmarks hang over the government's political will to force through the macro-economic strategy outlined in June, designed to push growth to 6 per cent and create 400,000 jobs a year by the turn of the century.

Mr Manuel says the best news he has received since becoming minister in March was the positive response given to the government's economic blueprint. By which he means the response of the business community. The Congress of South African Trade Unions (Cosatu), the closest political ally of the African National Congress, dismissed it as a "recipe for economic disaster".

There are at least three battle lines already drawn. Over pay, where the unions are determined to close the "apartheid gap", which for them has a higher priority than the government's call for wage restraint. On privatisation, to which the unions are totally opposed. And on the budget, where tough battles over spending limits and priorities can be expected if Mr Manuel is to fulfil his pledge to reduce the deficit to 4 per cent of gross national product, from this year's target of 5.1 per cent.

On all these issues, Mr Manuel may find himself politically discomfited within the ANC by the enthusiastic support of the private sector, and of Mr Chris Stals, the governor of the Reserve Bank. President Nelson Mandela's emphatic endorsement of Mr Stals last week cannot disguise the ANC's unease over the priority given by the governor to the battle against inflation and his readiness to maintain high interest rates.

The mutterings within the ANC against Mr Stals have undoubtedly contributed to the persistent rumours of his resignation and there are those who argue that the party will not have full control over economic policy until it has its own man at the head of the central bank.

Mr Stals, although admitting to being embarrassed by the rumours, has no doubts about his role. "No central bank governor can ask for a more clear and more unequivocal mandate from his government," he said recently.

But what does worry him is the impact of the falling rand. From a peak of R15.6bn at the end of last year, reserves have declined to R11.25bn and are likely to have dropped further in July. This in turn appears certain to limit the opportunities for a further relaxation in exchange controls. However much that may disappoint the markets, it is not Mr Stals's principal concern.

"We are much more worried about the movement in the exchange rate, because of the implications this can have for the economy over the next 18 months," he said on Friday. If necessary, he would sanction another rise in interest rates, and could call on international credit lines to defend the currency.

Mr Stals acknowledged there was "some lack of confidence" in South Africa's economic progress. This would be counteracted, he believed, when the government took concrete steps to implement its policies.

Mr Manuel, however, needs time. Together with other senior ministers he has moved a long way towards embracing free market policies over the past five years. The challenge now is to persuade the rest of the ANC and in particular its union and communist allies to catch up. The value of the rand in the months ahead is likely to provide an accurate reflection of the progress of that political struggle.

Shock waves had been felt throughout South Africa from an outbreak of street warfare in Cape Town, Mr George Fivaz, the national police commissioner, said yesterday, Roger Matthews reports from Johannesburg.

Police made no move to intervene when at least 200 heavily armed members of a militant Moslem organisation, People Against Gangsterism and Drugs, attacked the home of a suspected drug dealer in Salt River, Cape Town on Sunday night.

They had driven from a mosque in a convoy of more than 100 vehicles to carry out the attack, which was filmed by television crews and witnessed by several journalists. A leader of an alleged drugs gang was shot dead and then burned, and at least 18 people were wounded in the crossfire.

Violent crime has emerged this year as one of the most critical issues affecting South Africa's economic development and ability to attract foreign investment.

INTERNATIONAL NEWS DIGEST

Syria rejects Israeli talks

Syria yesterday rejected the offer by Mr Benjamin Netanyahu, Israel's prime minister, to resume peace talks on a "Lebanon first" basis, saying his proposal was only sweet talk which had nothing to do with peace-making.

The official daily, Tishreen, said Mr Netanyahu wanted the negotiations mainly to discuss Israel's security problem in south Lebanon, but not the withdrawal from the Golan Heights, captured from Syria by Israel in 1967.

"This talk does not mean anything for the making of peace," Tishreen said. "It is mere nice words which are baseless. The issue is not the resumption of the negotiations but the essence of what the negotiations would deal with."

Mr Farouq al-Shara, Syrian foreign minister, told the cabinet's weekly session later yesterday that Mr Netanyahu's government was still refusing the peace process on the basis of the land-for-peace principle and United Nations resolutions.

Mr Netanyahu said in Amman on Monday his government had submitted a peace proposal for Syria via the US and was awaiting an answer.

His adviser said the "Lebanon first" proposal spelled out Israel's terms for withdrawing its troops from Lebanon, in what Israel has said would be a first step to peace with Syria. *Reuter, Damascus.*

China sees test ban hope

China's ambassador said yesterday that he saw progress towards reaching a global nuclear test ban treaty, as western envoys began to predict a breakthrough in bringing Beijing fully on board.

Mr Sha Zukang, who has been holding bilateral talks with Mr Stephen Ledogar, his US counterpart, told reporters in Geneva: "I have a feeling we are making progress. I have that feeling after consulting with many delegations. So I am always hopeful to solve the issues in a way satisfactory to all parties."

US officials have been pressing China to accept the text as it stands, despite Beijing's fears that the treaty's verification regime to check against cheating could be abused.

Western envoys hope that if Beijing endorses the pact, Pakistan will follow suit. This would build pressure on India, its rival in the region, not to fulfil its threat to block consensus. *Reuter, Geneva*

Faster pace of growth in Gulf

The economies of the six oil-rich nations of the Gulf Co-operation Council grew on average by 4.1 per cent last year, markedly higher than the 1.8 per cent recorded in 1994, the Gulf Organisation for Industrial Consulting said yesterday.

The GOIC, based in Doha, the Qatari capital, said growth in the Gulf states, measured by gross domestic product, outpaced the world average of 2.9 per cent in 1995. However, it was below the 4.5 per cent expansion achieved by other developing countries.

The GCC, a political and economic alliance set up in 1981, groups Bahrain, Kuwait, Oman, Qatar, Saudi Arabia, and the United Arab Emirates.

The GOIC said the six GCC nations continued to rely heavily on oil revenues but all were making efforts to diversify. *AP, Doha*

NEWS: WORLD TRADE

Zimbabwe, S. Africa in textile deal

By Roger Matthews in Johannesburg

Agreement in principle has been reached between South Africa and Zimbabwe to end their long-running trade dispute over textiles, and the accord may be widened to include other sectors.

A spokesman for the ministry of trade and industry in Pretoria yesterday said another meeting would be held next month between government, business and unions to hammer out the technical details. However, the broad outline of a deal had been struck in talks between Mr Alec Erwin, the minister of trade and industry, and Mr Nathan Shamuyarira, his Zimbabwean counterpart.

The talks were said to have been "positive and cordial", in contrast to the often bitter atmosphere which had characterised exchanges over the trade issue.

It is understood that, from the beginning of next month, South Africa has agreed to reduce the 90 per cent tariff on Zimbabwean textiles, imposed by the previous government four years ago, to about 30 per cent.

Zimbabwe had on several occasions rejected previous South African offers as inadequate.

Harare had long complained about the high tariffs which had seriously damaged its textiles industry, forcing factory closures and affecting other manufactured goods.

A working group is also to study easing tariffs on a range of other products in what could become a model for similar arrangements for members throughout the Southern African Development Community (SADC).

These are likely to include both manufactured and agricultural products.

Relations within the SADC may also improve as a result of better trade ties between South Africa and Zimbabwe.

Nathan Shamuyarira: breakthrough in relations

Several of Pretoria's partners believe South Africa has behaved like the "bully-boy on the block" in trade issues.

Indeed, Mr Robert Mugabe, Zimbabwe's president, is alleged to have accused Pretoria of treating his country as if it were part of South Africa's Northern Transvaal province.

Mr Shamuyarira, who has to report back to his government before the agreement in principle can be formally ratified, yesterday said the accord represented a breakthrough in relations with South Africa.

The deal on textiles was the most contentious issue the two countries had faced, and could pave the way for agreements on other products, he said.

South African officials expressed their gratitude to employers and unions for making the agreement possible.

The South African textiles industry is already suffering job losses because of intensified competition from south-east Asia and the Far East, and now faces a 9 per cent increase in wage costs following the settlement of last week's strike.

World Bank uses muscle to boost environmental awareness in two developments

Communities get big role in Brazil scheme

By Nancy Dunne in Washington

The World Bank yesterday said it had given community and non-governmental organisations an unprecedented role in implementing a controversial $300m development project in the Brazilian state of Rondonia.

The scheme, Planafloro, which includes projects for agriculture, the environment, social development and health, is the successor to the Polonoroeste project – sharply criticised in the 1980s because the new paved highway it built spurred massive deforestation. About one-third of Rondonia's forests have now been destroyed.

Since then the bank has become more sensitive about the need to include environmental, indigenous people and other local activists in the planning of sustainable development projects.

However, Planafloro has continued to draw fire over delays in funding environmental protection and assistance to indigenous groups.

Last year the Non-Governmental Organisation Forum of Rondonia requested an investigation by the bank's independent inspection panel.

The directors refused, but later instituted a six week mid-term review by independent assessors which has resulted in a substantial restructuring of the programme, bank officials said yesterday.

Planafloro was designed to avoid problems of the past. The emphasis was on a zoning scheme which reserved 60 per cent of the region for conservation and light development, such as rubber tapping.

NGOs were included on key committees that discussed and approved operating plans. However relations between the NGOs and state officials were strained and the bank was often called to act as a mediator.

However, the project is being simplified and restructured into two parts: an environmental component, which will administer conservation and indigenous health projects, and a development component which will be demand-driven and implemented by local communities.

Despite intensive efforts to expand participation in the project, the bank said the project would continue to be "a high risk operation due to its innovative nature in a frontier state".

The zoning plan, which places so much territory off-limits to developers, will continue to draw criticism, although the bank has included more commercial representatives in its planning.

The project was innovative from the beginning. Although it was not problem-free, much has gone well with conservation units and demarcation of the areas reserved for indigenous people. However law enforcement and environmental protection had been affected by insufficient local contributions to funding, the bank said.

Laos resolves dispute over dam studies

By Ted Bardacke in Bangkok

Laos and the World Bank have resolved a nine-month dispute which had been preventing the bank from considering support for the controversial $1.2bn Nam Thuen 2 dam. The dam was considered a test case for bank policy towards large-scale hydroelectric power projects.

The bank and Laos have agreed to revise the terms of reference for two studies – one on alternatives to Nam Thuen 2 and the other on the economic impact of the huge project on Laos. The bank said the studies were necessary before the government could apply for a political risk guarantee from the bank.

The consortium developing the project is made up of Transfield of Australia, Electricité de France (EdF), the government of Laos, and Italian-Thai Development, Phatra Thanakit and Jasmine International, all of Thailand. It has said support from the World Bank is necessary for the project to be sufficiently profitable given the substantial risk profile of the dam.

Bank involvement also means that international standards on environmental protection and resettlement of people living in the reservoir area would be met, developers say.

The 681MW dam would flood 447 sq km of an area considered one of the most biodiverse in the world, where new species of mammals have recently been discovered. However, the area has already been subjected to massive logging in anticipation of the project. The dam would also require the relocation of several thousand villagers.

The studies required by the World Bank will look at other ways for Laos to develop the area and hydropower in general, and will look at whether the government is taking on too much risk by backing a project worth more than 70 per cent of its GDP. Plans for how Laos will use the funds for poverty alleviation in the area if the dam is built will also be examined.

The government has worried that such studies may conclude that the dam is a bad idea.

For example, a study released this week by the International Rivers Network, an opponent of the dam, argues that the government could make more money by introducing a programme of sustainable logging in the area and that Thailand, who will buy the electricity from Nam Thuen 2, could get cheaper electricity by burning coal imported from Australia.

The new terms of reference for the studies, expected to be finalised later this month, overcome some Laos objections on terminology and allay the county's fears that tough conditions by the World Bank were being used as an excuse not to consider support for the project.

The studies will begin in September or October, and will take six months to complete.

Schemes involving Balfour Beatty and Adtranz win priority from government

Hanoi gives push to railway projects

By Jeremy Grant in Hanoi

Proposals by two British companies to upgrade Vietnam's dilapidated rail system received a modest boost yesterday when the Vietnamese government gave priority to two schemes, one of which is linked to a plan for a "Trans-Asia" railway.

Vietnam wished to move ahead swiftly with upgrading a roughly 100km stretch of railway, linking Hanoi, the capital, with the northern port of Haiphong, Mr Bui Danh Luu, Vietnam's transport minister, said.

Balfour Beatty, the engineering and construction subsidiary of BICC Group, completed a feasibility study for the approximately $70m project last year but further progress – particularly on financing – depended partly on Hanoi giving it priority among various infrastructure projects.

Adtranz, the British arm of Swiss-Swedish engineering group Asea Brown Boveri (ABB), was told its plans for a $30m rolling stock overhaul facility at Gia Lam, just outside Hanoi, were also given priority.

Trade through Haiphong port is set to rise as the economy of Hanoi and the surrounding Red River delta grows.

The decisions follow months of doubt over whether the projects would move beyond the feasibility stage.

They do not clear the way for financing, however.

Balfour Beatty and Adtranz had thought their projects might be eligible for financing under an existing $50m concessional finance arrangement (CFA) initialled between London and Hanoi in 1994.

However, the money is likely to be used instead for two bridges, urban water supply and coastal marine communications systems.

"Because they [the Vietnamese] haven't deemed it a priority under the CFA we can't proceed on that basis," said Sir George Young, British secretary of state for transport, who is on a visit to Vietnam.

He said further availability of British concessional finance depended on the usual public expenditure reviews in Britain.

The Hanoi-Haiphong link, originally built by the French, is part of a stretch of railway that the Vietnamese want to upgrade, running north-west from Hanoi to Lao Cai, on the Chinese border. Hanoi is eying improvements to this railway as part of plans for a Trans-Asia railway linking Thailand, Cambodia, Vietnam, China and Laos with the rest of Asia.

Britain ranks 13th in the list of foreign investors in Vietnam, with $478m earmarked for 19 projects, mostly in oil and gas. During Sir George's two-day visit, UK construction and engineering group Taylor Woodrow announced that it had applied for a licence to open a representative office in Vietnam.

OECD Export Credit Rates

The Organisation for Economic Co-operation and Development announced new minimum interest rates (%) for officially supported export credits for August 15 1996 to September 14 1996 (July 15 1996 to August 14 1996 in brackets).

D-Mark	6.60	(6.71)
Ecu	6.45	(6.56)
French franc	6.81	(6.81)
Guilder		
up to 5 years	6.15	(6.15)
5 to 8.5 years	6.90	(7.00)
8.5 years +	7.80	(7.80)
Italian lira	8.47	(8.58)
Yen	3.10	(3.10)
Peseta	13.06	(12.37)
Sterling	8.32	(8.48)
Swiss franc	5.21	(5.32)
US dollar for credits		
up to 5 years	7.45	(7.49)
5 to 8.5 years	7.64	(7.69)
8.5 years +	7.76	(7.83)

These rates are published monthly by the Financial Times, normally in the middle of the month. A premium of 0.2 per cent is to be added to the credit rates when fixing at bid. Interest rates may not be fixed for more than 120 days.

Deal in prospect on Hong Kong's port

By Louise Lucas in Hong Kong

The expansion of Hong Kong's port, deadlocked for more than three years by a Sino-British dispute, appears to be in sight. The colonial government is hopeful construction will begin at the end of the year.

Beijing objected to the participation of Jardine Matheson in the winning consortium, claiming the group won the contract through political favouritism, a charge denied by the colonial government.

Hong Kong insists all tenders were assessed on the same basis, but its refusal to appease Beijing by inviting new bids or ejecting Hongkong Land, Jardine's property arm which is leading the Tsing Yi consortium, provoked the stalemate.

The Hong Kong government now hopes the settlement, worked out by the port operators themselves, will be ready to go before next month's meeting of the Joint Liaison Group, which negotiates matters relating to the handover of sovereignty. The agreement could still be overturned, however, as China has the right to approve the final line-up.

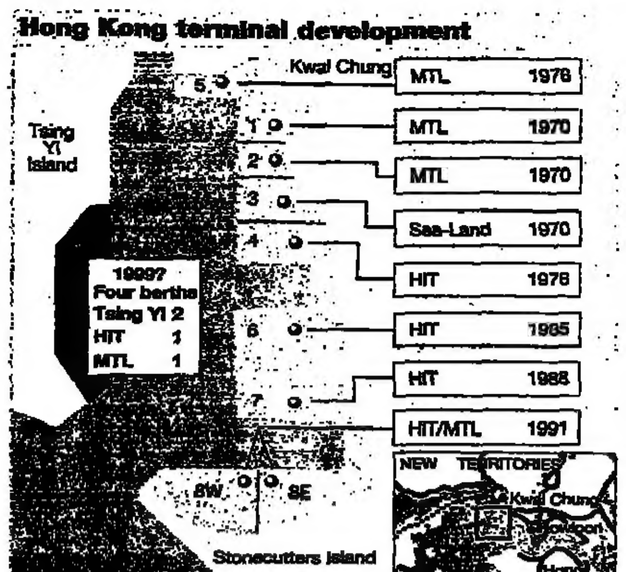
The solution, hatched during the visit to Beijing in January of Mr Malcolm Rifkind, Britain's foreign secretary, entails a reshuffle of existing berths along the quayside with berths in the planned CT9 terminal being swapped for berths in existing terminals. This would allow China to approve the deal without rescinding its refusal to see the Jardine group involved in CT9.

Mr Tony Clark, secretary of the Port Development Board, said: "We have been moving towards a solution. It has certainly been our target to get [a deal] to the September JLG meeting because we want to start work on the terminal towards the tail-end of this year."

However, the operators have been slow to reach agreement on which berths should be swapped because of the different benefits enjoyed by each – deep water, for instance, or greater throughput.

Two companies essentially control the port. Modern Terminals (MTL), a private company majority owned by the conglomerate Wharf Holdings, operates berths at three terminals and part of CT8. Hutchison International Terminals, part of Mr Li Ka-shing's property and infrastructure empire, likewise controls three terminals and operates alongside MTL at CT8.

CT9 is expected to take two years to build at a cost of HK$10bn ($1.3bn), and official forecasts show the extra capacity will be required by January 1999. Earlier projections showed the existing ports reaching capacity in 1994, but this has been avoided by greater efficiency of the port operators and a slowdown in trade.



Typhoon Herb fuels Taiwan shares

By Laura Tyson in Taipei

Taiwan share prices rose 3.01 per cent yesterday, fuelled by expectations of a recovery in the building sector in the wake of destruction by Typhoon Herb last week.

As the full extent of the island's worst natural disaster in three decades emerged, construction and cement shares soared in anticipation of reconstruction of the many bridges, roads and buildings washed away by the storm.

A government announcement that other delayed infrastructure projects would be speeded to boost the economy also buoyed investor sentiment.

At least 41 people have been killed, dozens are missing and tens of thousands are still stranded in remote villages. In central Nantou, the area hardest hit by the typhoon, whole villages were engulfed by landslides, with 22 people buried in one village alone.

In northern Taipei and Taoyuan counties, thousands of homes, inundated when flood prevention equipment failed, remain without running water. The government is facing an outcry of criticism, with the influential China Times newspaper declaring the situation a "man-made disaster", and calling on officials to take responsibility for the destruction.

Mr Liao Cheng-hau, justice minister, has launched an investigation into whether allegedly corrupt practices may have contributed to the destruction or failure of civil engineering works.

Thought to be the chief culprit is the deforestation of government lands in mountainous areas to plant cash crops such as betel-nut, tea and fruit, or for construction of golf courses, which have proliferated across the island in recent years.

In low-lying areas, heavy flooding is believed to have been worsened by uncontrolled pumping of groundwater, leading to land subsidence. Another problem is the practice of illegally digging gravel and stones for building purposes, from dry riverbeds, weakening bridges.

These problems, which have accelerated in recent years, largely result from a lack of enforcement of laws prohibiting such activity. Environmental groups and the local media also accuse government officials and local politicians of turning a blind eye to such activities.

Herb's onslaught poses a fresh challenge for President Lee Teng-hui, who is already facing public criticism over recent unpopular cabinet choices and the alleged involvement of ruling party officials in public construction projects.

Many Taiwanese resent Mr Lee's devoted patronage of golf, his favourite sport. It is regarded as a game reserved for the elite, politicians and high-level government officials.

Mr Lee is dismissive of criticism concerning his elaborate villa, which borders one of the country's most exclusive golf resorts.

Money traders get reminder of risk

Attack on baht highlights vulnerability of Asia's currencies, writes Peter Montagnon

The speculative attack last week on the baht, which prompted the Bank of Thailand to spend well over $1bn in defence of the country's currency, has come as a jolt to Asian money traders.

Alongside the pressure on the Indonesian rupiah in the wake of riots in Jakarta, it is a reminder that the region's currencies are vulnerable. The trick of borrowing US dollars to place in high-yielding Asian currency deposits, which has become big business in centres such as Singapore, suddenly does not look quite such a clever way of making money after all.

As many Asian exchange rates, including those of the baht and the rupiah, are in effect linked to the dollar, the high interest rates on Asian currencies have meant safe profits for banks looking to compensate for the paper-thin margins on trading large industrial country currencies.

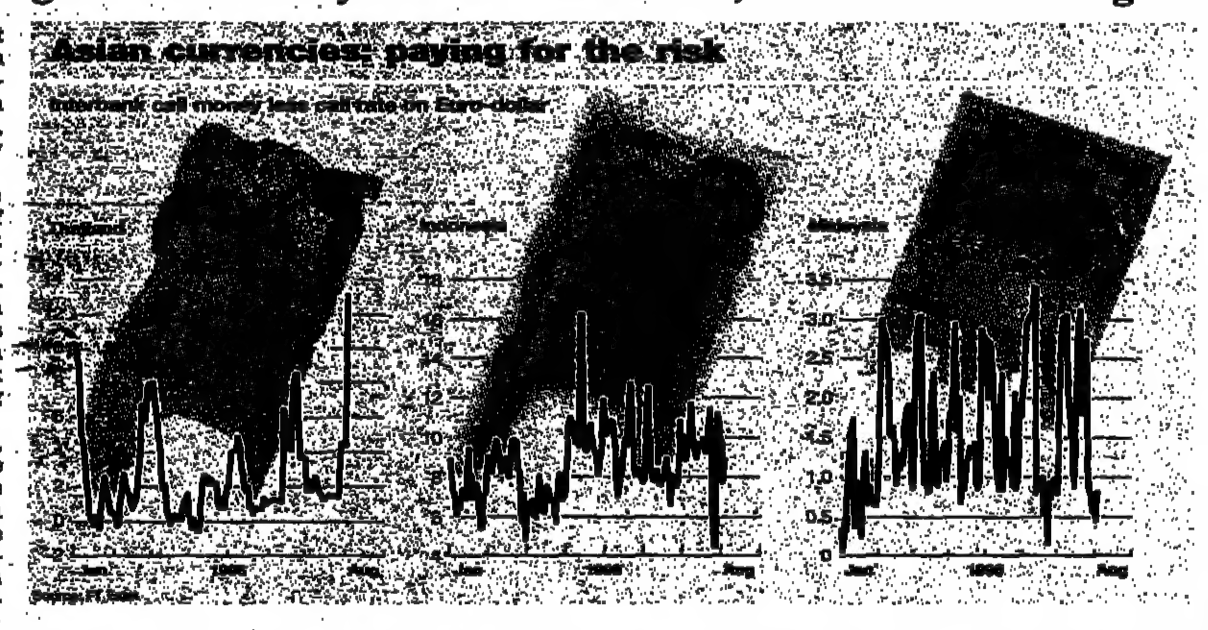
Even in quieter times, the premium yield on Asian currencies is large, at typically about 3 percentage points above US dollars for overnight baht deposits, 1.5 points for the Malaysian ringgit, 8 points for Philippine pesos and 9 points for Indonesian rupiahs. Turnover was boosted by investments from big US and Japanese funds.

"We are still seeing people bringing money in," says Mr Andrew Fung, regional treasury economist at Standard Chartered Bank in Singapore, "but new people are a bit more wary.

"Those who already have exposure will continue, but will be more inclined to hedge."

According to Mr Gerald Chan, head of foreign exchange sales at SBC Warburg in Singapore, the Thai development was more of a shock because the attack on the currency was unexpected.

Investors in Indonesian rupiahs started to hedge their exposure when President Suharto's visit to Germany for a check-up last month prompted fears for his health. So the rupiah market was prepared, which may be one reason why the impact of the riots was felt more strongly in equities.



But, adds Mr Fung, one of the reasons Asian currencies carry higher interest rates than dollars is because they involve a greater degree of risk. Recent events are not necessarily a sign the dangers have increased, but rather are a reminder of risks that always lurked.

The immediate worry surrounding both the baht and the rupiah is that the authorities may decide to drop their policy of confining their currencies to a narrow trading band.

The World Bank has openly called on Indonesia to do so, but the response has been cautious. In June, Bank Indonesia widened the permitted fluctuation to 5 per cent around the central rate, compared with 3 per cent previously.

This week, it emerged that Thailand has also been under private pressure from the International Monetary Fund to free its currency. Such advice makes sense, in that allowing these currencies to find their own level would enable interest rates to fall and reduce the inflationary inflows of foreign currency which often plague Asian money markets. Many economists believe the removal of this distortion would lead the currencies to rise after an initial shock.

"If you opened the market, there would be a slight downward movement, but the fundamentals have not changed and the currencies would appreciate," says Mr Eddie Tan, country treasurer at Citibank in Singapore.

As the latest pressure on the baht was triggered by worries about export competitiveness, which are at present echoed elsewhere in Asia, dealers say there is little chance of bold action. But, says Mr Ng Bok Eng, regional economist at Deutsche Morgan Grenfell, Asian countries may want to engineer a real depreciation of their currencies in coming months to improve their export competitiveness.

One encouraging aspect of the latest episode is that, unlike the Mexican financial crisis last year, which prompted a concerted attack on several Asian currencies, it has not proved contagious.

The Malaysian ringgit has withstood worries about the country's widening current account balance of payments deficit, though it fell sharply in January when these worries first surfaced in January.

"The markets have got more sophisticated in the last six to nine months. Previously, any one event would have produced a reaction across the board. Now they are assessing risk on a country-by-country basis," says Warburg's Mr Chan.

In the background is also the more sophisticated approach of central banks. The Bank of Thailand broke with tradition and intervened in both the Hong Kong and Singapore markets last week. Dealers say the central banks, whose fire power has also been increased through a network of repurchase arrangements, have acquired a much better understanding of how and when to intervene.

If that leads to less volatility and overshooting, then it will be a comfort to investors seeking to milk the Asian interest differential.

But in the long run, it could also reduce the chance of making money, as greater certainty and stability would mean an erosion of the interest differential. Perfect markets do not bring perfect profits.

Manila's income outlook improves

By Edward Luce in Manila

The Philippine government yesterday unveiled the country's first budget surplus to be generated from regular income as opposed to revenues from its privatisation programme, in a move it hopes will put the country's finances on a more even footing.

The 1997 budget, which projects a surplus of 14.5bn pesos ($600m) with privatisation revenues and 10.5bn pesos without such proceeds, will be the Philippines' fourth consecutive budget surplus but the first to be derived from recurring revenues.

Under the 1997 budget, presented to congress yesterday by Mr Salvador Enriquez, secretary of state for the budget, funds from the four-year-old state divestment drive will drop from 16bn pesos to 4bn pesos, while income from tax collection will rise by almost 20 per cent to 450bn pesos.

Mr Enriquez warned the projection was based on the assumption that Congress would enact a controversial tax reform bill before the end of the year.

The bill, delayed by disagreements over the proposed shift from an ad valorem tax to a more transparent specific excise tax, is designed to improve revenues and shrink the income tax system from nine to a maximum three bands.

Improvements in other areas of public finances, including the scrapping of the government's oil price buffer fund, which subsidises local petrol prices at a heavy loss, and the reduction of debt interest payments owing to debt buy-back and debt conversion schemes, would deliver more efficient fiscal streamlining in 1997.

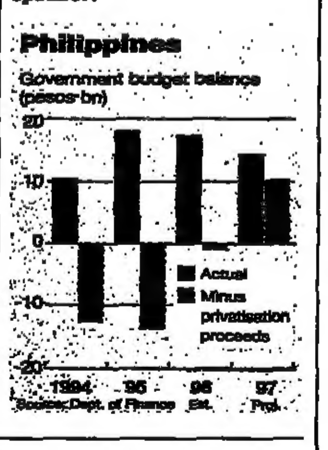
This would be regardless of whether the tax bill went through before December, Mr Enriquez said.

Almost 35 per cent of the 1997 budget would go towards public-sector salaries and interest payments combined, while expenditure on economic projects, including infrastructure and social services, would take up only 26 per cent and 32 per cent of the budget respectively.

Defence expenditure would take a 7.8 per cent share of the 485bn peso budget.

Critics of the congressional "pork barrel" system, which enables congressmen to insert appropriations in budget legislation to be spent in their congressional districts, have mounted a vigorous campaign to prevent a repetition of last year's controversial budget allocations.

In 1995, the budget grew by an unplanned 20bn pesos as congressmen and senators appropriated funds for individual projects such as roads or sports centres which are then named after their respective political sponsor.



ASIA-PACIFIC NEWS DIGEST

Japan reform plan rejected

Japan's ruling coalition yesterday failed to agree on a plan to reform the country's Finance Ministry. Liberal Democratic party leaders rejected a blueprint for reform drawn up by a committee consisting of Social Democrats, claiming they had not been informed in advance of its proposals. The plan calls for the transfer of the ministry's financial supervisory responsibilities to an independent body. It had been scheduled to be made public yesterday but was withdrawn pending further negotiations between the two main coalition parties and representatives of New Harbinger party, the third member.

The committee was established by the government in response to growing public criticism of the ministry for its part in the massive financial disasters of the last few years. But genuine reform was always likely to prove unpopular with bureaucrats at the Finance Ministry and their supporters in the LDP and critics will be concerned that the delay masks an attempt to stall the whole reform process. *Gerard Baker, Tokyo*

Tokyo move on poison germ

Japan yesterday officially declared the food poisoning germ sweeping the country a contagious disease, invoking a rarely used law to give authorities greater powers to contain the illness. The invoking of the Infectious Disease Prevention Law for the first time in two decades came amid mounting concern about undue public alarm, with reports of sufferers facing discrimination and bullying.

"The government bears a great responsibility to protect the lives of the public and maintain health," a government official said. The O-157 colon bacillus responsible for the epidemic has killed seven people and afflicted more than 9,000 this year. The city of Sakai near Osaka, western Japan, has been hit hardest, with 6,500 patients, mostly schoolchildren, affected. *Reuter, Tokyo*

Australian corruption inquiry

The Australian government has ordered an independent corruption inquiry into the Australian Federal Police after charges that officers have been involved in drugs, theft and bribery. Attorney General Daryl Williams ordered the inquiry after corruption claims by serving and former federal police in recent weeks. "I am committed to maintaining the integrity and high standards of the AFP and believe this inquiry is the best course of action," Mr Williams said yesterday.

The AFP, which has approximately 2,000 officers, has national jurisdiction over Australia, focusing on organised crime, fraud, customs, drug trafficking and political security. *Reuter, Sydney.*

Megawati accepts questioning

Indonesia's ousted opposition leader Ms Megawati Sukarnoputri will report to police for questioning on Friday concerning recent riots in Jakarta. Her decision marks a turnaround after an earlier refusal to co-operate with the police. Lawyers for Ms Megawati, replaced as leader of the opposition Indonesian Democratic party by a government-backed candidate earlier this year, argued that the police summons to her was legally flawed. Ms Megawati says she will answer the authorities' questions in line with a strategy of taking her battle over the party leadership through the courts. *Manuela Saragosa, Jakarta*

Australia to reinstate airport ownership curbs

By Nikki Tait in Sydney

Australia's federal government has agreed to reinstate curbs on cross-ownership of the nation's main airports, to expedite legislation for a A$2bn (US$1.6bn) privatisation scheme through parliament.

The cross-ownership rules would provide for a 15 per cent limit on cross-ownership and restrictions on management rights between Sydney and the two other main metropolitan airports in Brisbane and Melbourne. Bidders for the airports would need to be majority Australian-owned.

International interest in the impending privatisation has been strong, with Britain's British Airports Authority, the Netherlands' Schiphol, and Singapore's Changi Airport among those rumoured to have looked at the purchase opportunities. However, most of these are already working in consortia which include Australian-based companies or institutions.

A further restriction is that airlines should not be allowed to have more than a five per cent equity interest in any of the airports sold. The sale of the 23 airports in several tranches, has been pending for almost two years. The privatisation plan was first put forward by the former Labor government, which won party support for the move in 1994.

The privatisation stalled after the Liberal-National coalition, then in opposition, refused to support the sale of Sydney airport until noise issues there had been resolved. When the coalition won at the March election it reintroduced the airport sale legislation.

Its plans to remove Labor's proposed cross-ownership limits – a move which some analysts suggested would add several hundred million dollars to the likely proceeds – ran into opposition in the Senate, where the coalition lacks a majority.

The government will reintroduce the airline sale legislation when the next session of parliament starts later this month and hope for a fairly quick passage.

Qantas, Australia's main international airline, warned however that other critical issues still needed to be addressed.

In particular, it cited the question of principles for charging fees, as well as invoicing for airport charges, dispute resolution, and service standards.

"If there are 13 different sets of charging principles around the countryside, international operators are going to find themselves in a similarly chaotic state to the domestic operators, with different principles operating at different airports," Mr Richard Davis, Qantas' legal adviser, told a Senate inquiry yesterday.

The Victorian state government plans to sell off three more electricity generating assets "in the next two years", as well as its partial stakes in two other projects, it said yesterday, Nikki Tait reports.

The sale will come as part of the state's effort to privatise its entire electricity industry. Distribution has already been turned over to the private sector, and two power stations have been sold. The latest is the Hazelwood facility, bought by an Anglo-American consortium led by Britain's National Power, for A$2.35bn (US$1.8bn).

Assets for sale include the Loy Yang A power station and associated brown coal mine, the Newport and Jeerlang gas-fired power stations and the Southern Hydro group of hydro-electric stations.

In addition to these wholly-owned assets, Mr Alan Stockdale, Victoria's treasurer, said yesterday the state would seek to sell its 49 per cent interest in the Loy Yang B, controlled and operated by Mission Energy, as well as its 29 per cent stake in the Snowy Mountains hydro-electric scheme, which is a joint venture between the Commonwealth government and the state governments in Victoria and New South Wales. So far, sale of the electricity distribution businesses and the two power stations has raised A$13.6m for the Victorian state government.

NEWS: UK

Manufacturers 'expect to raise output'

By Robert Chote, Economics Editor

Britain's manufacturers are poised for a decisive upturn in activity, even though official statistics show the sector still mired in a technical recession, the Institute of Directors claimed yesterday.

The employer organisation's latest quarterly survey showed a sharp pick-up in the number of manufacturers reporting that they had stepped up production in recent months. This is at odds with official statistics, which show output static between the first and second quarters of the year.

Almost 70 per cent of the manufacturers polled by the institute said they expected to raise output in the next three months, compared with less than 10 per cent expecting to retrench. This was a more optimistic outlook than in the last survey, a pattern repeated in their forecasts for employment.

The institute's findings are more in line with other surveys carried out by the Confederation of British Industry, the UK's largest employers' lobby, and the Chartered Institute of Purchasing and Supply. These surveys also showed an improving outlook for factory orders and activity.

Ms Ruth Lea, head of the institute's policy unit, said that the surveys were probably all leading indicators, implying that the contraction in manufacturing was coming to an end and that a rebound was in prospect.

"It is generally accepted that we are at a turning point," she said. "Overall, the survey results point to a pick up in growth in the economy as a whole during 1996."

The strength of any upturn in the second half of the year will be a key influence on the monthly discussions of interest rate changes between Mr Kenneth Clarke, the chancellor of the exchequer, and Mr Eddie George, the governor of the Bank of England – the UK's central bank.

The Bank will publish its latest quarterly inflation report today, in which it is expected to warn that interest rates should not be cut again if the government is serious about achieving its medium term inflation target of 2.5 per cent or below.

Ms Lea said there was no need for another cut in interest rates to revive economic activity, although it was not necessary to raise rates yet to combat inflation.

The survey results have to be treated relatively cautiously because the results are not adjusted for seasonal effects and the sample is relatively small. The survey also tends to be biased towards firms in south-east England, reflecting the distribution of the institute's members.

Small brewers hit back at EU beer rule

By Chris Brown-Humes

Some of Britain's smallest brewers reacted with dismay yesterday to the prospect of new European rules on "guest beers" – the draught beers produced by one brewer and sold in pubs tied by contract to another.

Ironically, their response came as some were picking up the top prizes at the Great British Beer Festival at Olympia in London.

The European Commission says British rules, which allow tied tenants to select a "cask conditioned" beer from outside their brewers' portfolio, discriminate against beers from the mainland continent brewed with a different process. It says the rules breach European Union law on the freedom of movement of goods and has threatened to take the UK to the European Court of Justice.

But brewers say the British market is the most open in Europe and that the changes would almost certainly mean bigger lager brands crowding out smaller brewers and cutting choice.

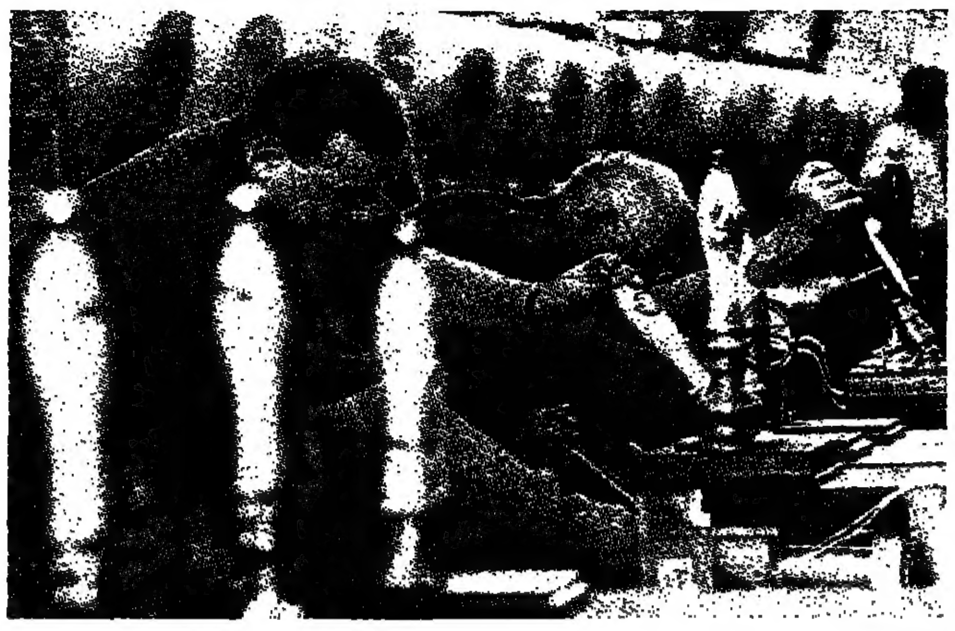
Mr Mike Betts, commercial manager of Woodforde's Norfolk ales – which yesterday won the champion beer of Britain award – said: "We are obviously very concerned. The present rules give small brewers the opportunity to get cask-conditioned beers into a large number of outlets."

Mr John Constable, proprietor of the Butterknowle Brewery in County Durham and winner of a champion bitter prize yesterday, echoed the concern. "We depend on guest beers for 75 per cent of our sales but at least we have 170 different outlets. Some brewers depend almost entirely on guest beer sales."

Brewers say the Commission is being unfair because of limited openings for UK beers on the continent.

Mr Ian Howe, research manager of the Campaign for Real Ale, estimated the new rules could force up to 200 small brewers out of business. Mr Paul Horan, of the Federation of Small Businesses, argued that choice would be widened if pubs were allowed to sell both a cask-conditioned beer and a lager from the mainland continent under the guest-beer rules.

Whitbread, of the country's biggest brewers, said: "In the end customers will decide what they want to buy, not the EU or even the British government."



Brendan Corr

Feeling bitter: the 'guest beers' row widened at the Great British Beer Festival yesterday

Regulator retreats on asset protection

By John Gapper, Banking Editor

The Securities and Investments Board has toned down a proposal that banks and investment banks should keep customers' assets in separate companies after protests from the industry about the estimated £100m ($156m) cost.

The proposal, part of suggested minimum standards for the custody of investments, has been amended after SIB found that it would cost £100m for custodians and asset management firms to comply.

SIB drafted minimum standards for custody last year after the collapse of companies controlled by Robert Maxwell when £440m of the pension assets of the companies went missing before his death.

In the original proposals, fund managers and custodians would have had to place customers' assets in separate nominee companies so companies could not mix up customers' investments with their own.

SIB has conceded that, instead, they will have to identify customer assets separately within existing nominee companies.

SIB has also altered a proposal for global custodians, which oversee the safekeeping of the assets of international investors in different countries.

It originally proposed custodians issue a general warning to customers "that when investments are held overseas, they may not be as well protected as they would be in the UK".

This has been amended to a "notification" that there may be "different" settlement and regulatory requirements in foreign jurisdictions after some companies pointed out that standards might be higher in countries such as the US.

SIB has drawn up standards to prevent any mingling of investments of different customers, and to prevent unauthorised lending of securities.

The standards cover responsibilities of assets' custodians and owners, separate identification of investments, protection against loss, and identification and periodic checking of customers' investments.

They are the first instance of SIB's new approach to standards for self-regulating organisations for the financial services industry.

SIB lays down broad standards for regulatory areas, to be implemented in detail by SROs. The SRO most involved in custody is Imro.

The Treasury has decided to make custody an authorisable activity under the Financial Services Act.

UK NEWS DIGEST

Cattle prices tumble further

Cattle prices have received another knock from last week's government disclosure that bovine spongiform encephalopathy or mad cow disease can be transmitted from cows to their calves.

Prices at livestock auctions have fallen by about 10 per cent in the past few days, leaving them 25 per cent lower than a year ago, according Mr Jim Watson, the managing director of Midland Mart at Banbury, the country's biggest market.

Many farmers are holding their animals back from market to see what happens to prices. There were 40 per cent fewer cattle marketed across the country on Monday than a week ago, according to the Meat and Livestock Commission. However the fall in prices has been exacerbated by a seasonal drop in demand, linked to warm summer weather, and the absence last week of intervention buying which has helped prop up the market in recent weeks.

Mr Watson added that prices had fallen to near world market levels, and countries such as Australia, the US, Botswana and Paraguay were "flooding" the UK market with beef. The government will mount a new campaign to restore confidence in beef on August 19 with the launch of its "certified herd" scheme, which is expected to cover between 3,000 and 3,500 beef herds that have never had a case of BSE. *Alison Maitland and George Parker, London*

Editorial Comment, Page 9

■ SINGLE CURRENCY

Bankers concerned over equality

Senior British bankers have publicly voiced concern about a proposed payment clearing system that would be set up under a single European currency. They believe they may not get the same access as their German and French rivals.

"I have little doubt that it's a matter of great concern to the governor of the Bank of England, and I hope he's doing something about it," said Sir William Purves, chairman of HSBC, the London-based international banking group which owns Midland Bank. "There is certainly scope for bother," added Mr Martin Taylor, chief executive of Barclays Bank.

Detailed rules for the new euro payments system, known as Target, have not been fixed. But bankers in France and Germany argue that banks in countries outside European monetary union should not have access to Target's liquidity arrangements on the same terms as Emu members. *George Graham, London*

■ NORTHERN IRELAND

March violence expectations rise

Fears of sectarian clashes in Northern Ireland increased last night after negotiations between Protestant marchers and Roman Catholic protestors failed to find a compromise over this weekend's planned Apprentice Boys' parade in Londonderry.

With about 10,000 Apprentice Boys converging on the largely Catholic city on Saturday, it is feared the dispute could trigger widespread disorder, as happened last month when the police forced an Orange Order march through a mainly nationalist estate in Portadown.

Mr John Hume, the Social Democratic and Labour party leader and local MP, who chaired yesterday's meeting between the Apprentice Boys and the Catholic Bogside Residents Association, said he was "keeping the door open". *John Murray Brown, Dublin*

■ BUILDING SOCIETIES

Capital market rating 'threatened'

Few building societies outside the top 11 – six of which are leaving the sector to convert to banks – will be able to maintain a credible presence in global capital markets, according to Moody's, the credit rating agency.

In a report on the UK building societies sector published yesterday, Moody's argued that although the societies – which are mutually-owned home loans and savings institutions – generally supported low balance sheet risks and good financial fundamentals, "the need to merge is intense for both the small and medium-sized societies seeking to survive."

Mr Alan Reid, senior researcher, said the sector, whose assets will fall from £300bn ($470bn) at the end of 1995 to £120bn in 1997 when all those who have announced plans to convert or be taken over have done so, would shrink in significance. *Motoko Rich, London*

■ BCCI

Court order may boost creditors

Orders given by the High Court in London yesterday appeared to have cleared a serious obstacle to plans to pay more than 100,000 creditors of the failed Bank of Credit and Commerce International a first dividend later this year.

Under UK law, loans and deposits can be set off against each other and creditors left to claim the difference. In Luxembourg, where the global settlement is pooled before distribution, such off-setting is not allowed – loans should be repaid before claims are made. A spokesman for the British liquidators Deloitte & Touche said that following yesterday's directions: "English creditors will be afforded the right of set-off in the circumstances of an ancillary liquidation and will not be prejudiced by Luxembourg accounting rules."

Progress can now be made to calculate the value of the first dividend – originally estimated at $2bn – or 20p in the pound. The final dividend may reach a total of between 30p and 40p. Proceeds of court actions could take the figure higher. *Jim Kelly, London*

Royal Mail to bypass union in strike plea

By Robert Taylor, Employment Editor

Royal Mail is planning a high-risk strategy to end the postal dispute by appealing directly to its 140,000 staff over the heads of trade union leaders.

Full details of the pay and working conditions package negotiated and recommended to the executive by Mr Alan Johnson, general secretary of the Communication Workers' Union, but rejected last week by the executive of the CWU, will be sent to each postal worker. Royal Mail hopes that the staff will then put pressure on the executive to hold a ballot on the deal negotiated with Acas, the conciliation service.

"I want all our employees to read the agreement which militants on the union's executive are refusing to allow them to vote on in a ballot," said Mr Richard Dykes, Royal Mail's managing director. So far the executive has refused to comply with demands for a ballot, arguing it does not need to do so under the law. However, the union is becoming increasingly concerned about workers' demands for a ballot over the package.

Some union officials, as well as Royal Mail managers, point out that the deal is strikingly different to the one on offer when the original strike ballot was held.

The management initiative comes amid growing signs of unease among postal workers after the government suspended the Royal Mail's monopoly on delivering letters which cost less than £1 to post.

● Royal Mail's monopoly should be replaced by a permanent duopoly, TNT, the Australian transport group, said yesterday.

Mr Andrew Fitzmaurice, the company's business development director, said an alternative to the establishment of a duopoly could be the creation of joint ventures between TNT and Royal Mail. Mr Fitzmaurice said TNT worked in partnership with post offices in Sweden and the Netherlands and ran the parcel service in Germany for the Bundespost.

Editorial Comment, Page 9

Shetland Islands concede terms on terminal lease

By James Buxton, Scottish Correspondent

Shell and British Petroleum are to sign a new agreement this week with the Shetland Islands council which will keep the Sullom Voe oil terminal operating into the next century.

Shetland councillors yesterday approved a deal which involved substantial financial concessions by the council to the oil companies. The companies had said they would load oil directly on to tankers at sea instead of piping it to Sullom Voe when their lease on the terminal expired in 2000.

Mr Malcolm Green, the council's chief executive, said the deal would preserve about 1,000 oil-related jobs in the islands and ensure that Shetland had a broad base for its economy.

He said Shetland council, which will receive about £25m ($39m) from the terminal this year in rent, rates and other charges, will lose £4.5m a year under the new deal, rising to £6m by 2000. Thereafter it will continue to lose £6m a year.

Sullom Voe receives oil by pipeline from the Brent field, operated by Shell, and from the Ninian field, where the pipeline belongs to BP. Throughput has fallen from a peak of 1.5m barrels a day in 1985 to 800,000 bpd and is forecast to fall to 450,000 bpd by the end of the decade.

Although the new agreement will run for 25 years from August 2000, the oil companies can terminate it at any time by giving two years' notice.

However Mr Green said the new agreement would give the council a say in the running of the terminal so that it would have advance warning of the oil companies' intentions. "We expect to go forward in five year blocks," he said.

Although he said production from Brent and Ninian was expected to end between 2005 and 2010, the council hopes Sullom Voe will be able to attract business from recently discovered fields in the West Shetland basin.

Last year BP decided to ship oil from the Foinaven field west of Shetland to the Flotta terminal in Orkney instead of using Sullom Voe. Next year it will decide where to take oil from its Schiehallion field.

The oil companies have broadly accepted an improved offer which the council made last October, under which it will halve the £7m rent for the terminal, backdated to April 1995, and relate it to actual rather than forecast throughput.

The £13m annual rates bill will be slightly reduced and from 2000 the council will forego the £3.5m a year payment it receives for disturbance to life on Shetland caused by the terminal.

UN guidelines suggest economy may be 2% larger

By Robert Chote, Economics Editor

Britain's economy may be 2 per cent larger than it looks because statisticians treat interest payments as an unproductive transfer of income rather than a charge for financial services.

This view of interest payments is now being reviewed under guidelines issued by the United Nations in 1993. The UN recommends that the difference between market interest rates and those paid to or by individuals and businesses should be treated as part of consumption.

A study published by the National Institute for Economic and Social Research suggests that Britain's real gross domestic product would have been 2.06 per cent higher in 1990 than the current data suggest if interest payments had been treated in this way. Economic growth would have been faster in the early 1980s than it now appears and the fall in output in 1990 would have been two-fifths of a percentage point smaller.

Between 1979 and 1990 the UK growth rate would have been 2.04 per cent per annum, rather than the 1.93 per cent per annum shown by the current figures.

Eurostat, the European statistical agency, is considering adopting the institute's methodology but this could prove controversial. Some countries might fear that an upward revision to their recorded gross domestic product would prompt an increase in their European Union budget contribution.

An official at the Office for National Statistics said it could take 10 years before any modification was implemented internationally.

Latest government 'for sale' sign raised

AEA Technology hopes to show investors its enhanced commercial potential

A police guard and a tall brick wall topped with barbed wire conceal the government's latest share offering to the public: AEA Technology, the science and engineering company earmarked for flotation over the next few months.

Its headquarters are at the former air force base in Harwell, Oxfordshire, which also houses the UK's Atomic Energy Authority from which AEA Technology was spun off in 1994.

The company's activities range from decommissioning nuclear reactors to supplying advice and new technology for a range of civilian and defence industries. Its wares range from software to help clean up oil spills to coatings technology that makes racing cars go faster.

Until recently little more than a government research department, AEA Technology has been carefully grooming itself under new management for a privatisation that will probably be the government's last.

"This is a bunch of very clever people all becoming commercial," says Mr Peter Watson, the company's chief executive, who made £4m ($6.24m) from last week's sale to Stagecoach of Porterbrook Leasing, the rail operator which he still chairs.

Sir Anthony Cleaver, the company's chairman, argues that privatisation will enable the company to pursue commercial opportunities in a range of markets more effectively, while improving the motivation of staff, 60 per cent of which are trained engineers and scientists.

But the most immediate challenge facing AEA Technology will be to sell itself to the City of London.

Over the next few weeks, the company will be holding presentations for City analysts to help the government put a value on the company. Estimates of what it might fetch – based largely on stock market ratios – have come down from £250m to under £200m over recent months.

Last week, AEA Technology reported a 150 per cent leap in its operating profit to £19.8m, on virtually unchanged sales of £253.3m. Mr Watson attributes the increased profit to a 25 per cent downsizing of the company workforce to 3,500.

One report commissioned by the government says the company's profit margins are already exceptionally high at 7.8 per cent, but Mr Watson challenges the view that there may be little scope for a further improvement.

In another gesture intended to enhance the company's attractiveness to potential shareholders, the government has freed the company of all liabilities connected to its work to build and service the country's nuclear industry.

Although the company is aiming to diversify further out of its nuclear roots, which today accounts for 54 per cent of its sales, it still sees a long-term future in its role as undertaker to the nuclear industry.

But a recent protest by local residents over plans by Safeguard Plc, which is jointly owned by AEA Technology and Amersham International, to set up an Oxfordshire store to house low-level radioactive waste from hospitals, shows how sensitive public opinion can be over such issues.

A good example of the company's technological prowess in other areas is its ultra-light lithium-ion battery, which will produce annual licence income of £2m until the year 2001.

Typical of many British inventions, the technology was developed in the UK but has been mass-produced by Japanese companies including Sony and Panasonic.

Sir Anthony admits that a key challenge will be to translate the company's wealth of innovations into marketable products. "The question is how many more of these are we going to pull off," he says, referring to the success of the lithium-ion battery. "The difficulty is that there are number of very exciting things out there while others are clearly long-shots."

Leyla Boulton

ARTS

Television/Christopher Dunkley

Network brings home the gold

It all began with one of those overheard snatches of conversation between two chaps in the gents. "Did you see Pinsent and Redgrave win the gold medal then?" asked the first. "No," said the second, "when I get in these days Susan's always watching UK Gold, and once we start on that we seem to stick with it. We haven't really seen anything else much this summer. It's quite good really. Lots of comedy."

Was it really possible – assuming, of course, that you were hooked up to either cable or satellite – to enjoy yourself on a diet of nothing but UK Gold? People have reportedly managed to survive solely on grapefruit, but could your mind really survive on the repeats of comedies, variety shows and drama which seem to be all that UK Gold offers?

It is difficult at first; a bit like trying to live on ice cream. Suppose you were to start this evening, for instance, at about six o'clock. You would see an episode of *You Rang, M'Lord*, the Perry/Croft sitcom which used the *Upstairs Downstairs* setting and the cast from *Hi De Hi!*, then a 20-year-old episode of *Morecambe and Wise*, followed by *Carry On Columbus* (taking up two hours), a half-hour episode of *The Bill*, half an hour of the wonderful David Nobbs comedy *The Fall and Rise of Reginald Perrin*, an hour of Andrew Davies's drama *Mother Love* with Diana Rigg as the scheming mother, and finally the 1963 spoof spy movie *Hot Enough For June* with Dirk Bogarde, Robert Morley and John Le Mesurier.

That is a typical evening, illustrating the channel's strengths and weaknesses. Consisting as it does of programmes selected only from the BBC and Thames TV libraries, UK Gold is not just, by prevailing standards, unusually British, but exclusively so. Until you experience this it is hard to imagine just how odd it seems: no *Neighbours* or *Home and Away*, no *ER* or *Murder One* (final episode tonight, nine o'clock, BBC2) no *Cheers* or *Frasier*. Given the sort of mixture to which we are so accustomed, especially in peak viewing hours, it does feel oddly parochial and old fashioned suddenly to find yourself restricted to an all-British diet.

The effect is reinforced by the narrow spectrum of programme types offered by UK Gold, and by the fact that the movies are also all British. Over the years there have been some excellent British films, but *Rockets Galore* (an inferior follow-up to *Whisky Galore*), *Carry On Emmanuelle* and *Two and Two Make Six*, all screened in the past week, are not among them. With no news, current affairs, sport, or politics (do you suddenly begin to see why this network appeals so strongly to some viewers?) the effect, on bad nights, can be like watching a continuous pantomime or some endless end-of-the-pier show.

It is bad enough when it is a question of guest artists that you do not happen to like. Sunday, for example, brought *The Good Old Days*, the music hall series recorded in the City Varieties Theatre, Leeds. This began in the summer of 1953 and lasted for 30 years (to the great delight of a large part of the population, many of whom were appalled when the BBC finally scrapped it). Sunday's edition, from 1981, included Clive Dunn, a performer who was just tolerable in *Dad's Army*, but not on the variety stage. That was promptly followed by a 1973 edition of *The Dick Emery Show*, Emery being a man who never once in his career managed to raise the beginnings of a smile on my face.

Les Dawson, on the other hand, seemed to come close to genius in his long, loopy narratives. So it was good to see *The Les Dawson Show* (complete with a sketch in which Dawson reported a lost dog to the police, only latterly admitting that the dog disappeared in 1947 . . . accompanied by Dawson's mother-in-law). But his "special" guest was Lulu, a performer who, granted an exuberance which may seem attractive to some, encompassed all that was worst in British variety in the 1970s and 1980s. She should have been banished for that clap-and-jerk-the-midriff dance style alone. The evening was saved by episodes of Alan Bleasdale's *Boys From the Blackstuff* and Troy Kennedy Martin's splendid 1985 drama *Edge Of Darkness*.

That is the trouble with a network of this sort, if you try sticking to it exclusively, anyway: since virtually all the programmes are repeats, almost everyone will have preconceived idea of what is worthwhile and what is a waste of time. While I would be happy if I never saw another example of that dreary game show *Bullseye* with its inept darts players, would willingly dump all those Europudding thrillers such as *The Assassination Run* in the bottom of the Mediterranean, and be only too delighted if I never again had to watch Jasper Carrott, a man who is almost exactly as funny as his name, there are no doubt many others who would banish my favourites such as *The Sweeney*, *Reginald Perrin* and *Porridge*.

It clearly makes much better sense to dip in and out, using UK Gold as part of a calorie-controlled diet, than to follow the example of the man in the gents.

The general feel of the channel could be considerably improved by a few judicious edits. Even though everyone realises that this is recycled material, it seems unnecessary for Jim Bowen to say how delighted he is that we could join him on this Sunday evening when we all know it is Thursday; and putting out *The Bob Monkhouse Show* in 1996 complete with throw-away lines about the just-completed 1983 American invasion of Grenada seems like a way of rubbing the viewer's nose in the aged nature of the material.

That said, judging from the quantity of advertising on the network (assuming it is all paid for at proper rates) they must be doing something right. A week's concentrated viewing suggests that UK Assorted Scrap Metals might be a more honest title, yet there was certainly more gold than you would have seen the British collect at the Olympics.

Alastair Muir

Tortured soul: Oana Stefanescu (left) and Marcel Iures in 'Murder in the Cathedral'

Theatre/Ian Shuttleworth

Spiritual beacon

Later this month readers of arts pages will encounter many fine examples of "Edinburgh bends": implausible critical ravings about the likes of a Hungarian woman in a perspex tank or a Japanese company performing modern dance to a soundtrack of industrial Krautrock (both real examples from previous years, but both genuinely fine shows). Rhapsodic praise for a Romanian-language production of T.S. Eliot's *Murder in the Cathedral* may at first seem like an early outbreak of the same malaise. It is not. This is a remarkable event.

Eliot's play, in which a man of God stands as a spiritual beacon against the darkness of a despotic temporal power, was banned in Romania under the Ceausescu regime. Watching this fearsome production – by Art-Inter Odeon, a company of artists whose freedom of expression has been in danger from the post-revolutionary government, and whose existence is due largely to donations from the British theatrical community – one can see why.

Further, although it makes no explicit claims to this effect, Mihai Maniutiu's production can be read as a loose parable of the early Romanian revolution itself: for Canterbury, read Timisoara; for Thomas Becket read Father Laslo Tökes. As in Eliot's text, the upheavals at the turn of the decade may have brought an increased spiritual and moral awareness to many in Romania, but have arguably wrought little transformation in daily life.

Here, the women of Canterbury deliver their choruses in anger and terror. In addition to the chorus, a single simple-minded woman (Oana Stefanescu), on stage virtually throughout, also seems to stand for the community or the land as a whole: shackled and oppressed by the Knights and Tempters, taken into Becket's confidence and ultimately left alone on stage to speak her first lines of the evening – the play's final prayer.

Marcel Iures is a world away from the composure with which Becket is often played. Tortured and blindfolded by the Tempters, he seems even to give in for a while to the blandishments urging him to martyrdom from motives of self-glorification. His Christmas Day sermon, which he begins in a battered heap on the floor, is not a passage of serene acceptance but a troubled coming to terms with his impending murder.

Eliot's four Tempters become five, but bringing only three temptations: a pair of sinuous male Salomes offering fleshly pleasures, a pair of stuttering academic apparatchiks holding out the lure of renewed worldly power, and finally the dream closest to his secret heart – martyrdom for vanity. Radu Amzulescu's Third Tempter is effectively Becket's dark half and stalks through the whole play, flinging handfuls of grain to the scrabbling women, acting as the main agent of Stefanescu's torment and, when it seems Becket may overcome the four Samurai-like Knights (played by the four other Tempters), plunging the fatal dagger into his breast.

The atmosphere of gloom and forboding evoked by Doina Levintza's design and Jenel Moldovan's lighting is given eerie voice in the score of Iosif Hertea. Sung passages of *vocalise*, episodes of percussion and a range of instruments, including mournful animal horns and an unsettling Middle-Eastern pipe, are played continuously.

Those of us familiar with Eliot's play as an academic set text will find its concerns given frighteningly tangible form in Maniutiu's production.

At the Almeida Theatre, London N1, until August 10 (0171-359 4404).

Ballet/Clement Crisp

Bolshoi plays with freedom

Russian ballet – and most especially its two great troupes, the Kirov and the Bolshoi – has been in crisis since the end of the Soviet era. The crisis has not simply been owed to the collapse of a system which provided the rules and the financial sustenance to control and support the life of these companies. As serious in its implications has been the way in which ballet – which is, for the Russians as for the west, among the most immediate and splendid images of a nation's art – can exist under the conditions of a new Russian society and respond to the influences and demands of a western-style market.

Russian ballet-training remains a marvel. The seriousness of Russian artistry, that entire devotion to the cause of art itself which sustained the ballet even in the darkest years of Stalinism, is no less glorious. Western taste, fiercely unadventurous when faced with "Russian Ballet" – the demand is for more *Swan Lake*, and for yet more of the feathered same – will be content with companies whose outlook and style might be unchanged from what they showed 30 years ago. But for Russian artists, for Russia's ballet as for its Russian public, change must come.

The new freedoms have questioned the basis of Russian ballet: Yury Grigorovich was ousted after 30 years as master of the Bolshoi Ballet; reports abound of financial irregularities and Mafia-style intrigue in the artistic direction of the Kirov Ballet. (From day to day I hear different tales of who is "in charge" in Petersburg.)

There has been a diaspora of dancers, but the conditions which made it possible for Nureyev, Makarova and Baryshnikov to flourish and grandly to affect the west two decades ago no longer exist. (Altynai Asylmuratova, greatest of the Kirov's ballerinas, dances with Roland Petit; Mukhamedov is at Covent Garden; other fine dancers work in Europe and the US. None knows the opportunities or the rewards that came to those first seekers of western freedoms.)

Alastair Muir

A sustaining tradition: the Bolshoi Ballet

The greatest problem for Russian ballet lies in the need to discover new choreography. This cannot come quickly, and what I have seen of the work of "new" Russian creators is dispiriting. Grigorovich's productions still dominate the Bolshoi – though Vladimir Vasiliev, artistic director of the theatre, and Vyacheslav Gordeyev, director of the Ballet, have acquired novelties, not least John Cranko's *Taming of the Shrew*.

In Petersburg, the awful stagings by Oleg Vinogradov are still on view, but at least the Mariinsky has set about re-claiming Balanchine as a native son by mounting certain of his more traditional ballets. With Balanchine, and with recent Fokine productions, Russian ballet of an earlier diaspora – that of the Diaghilev era – is at last being explored.

So a chance to see how the Bolshoi looks now – 40 years after its first, staggering Covent Garden season - was not to be missed. For its only tour westward since the change of regime brought about by Grigorovich's departure last spring, the company has just spent three weeks in Graz.

The setting is idyllic. The city is an architectural gem, an old Renaissance town at its heart filled with unspoiled treasures, and a proper 19th century opera house to rejoice the spirit and house the Bolshoi. And what did the Muscovites bring? Inevitably, the Grigorovich repertory.

Vladimir Vasiliev has said that he will extend the company's choreographic horizons, but this takes time. So, the inescapable *Spartacus* and *Swan Lake*, and two Gala programmes (which I saw) comprising acts of *Bayadère*, *Sleeping Beauty*, *Legend of Love*, *Raymonda*, *Don Quixote*, and the Grand pas from *Paquita*. And the Bolshoi image was, of course, unchanged. There was the same power in the dance: bodies intensely involved, with no half-measures, no uncertainties.

There was the same feeling of a sustaining tradition in performance, so that every action or gesture appeared logical. What puzzled me was the style of the leading ballerinas. As on the visit of the company to London three years ago, Nadezhda Grachova and Galina Stepanenko dominated the casting, with Nina Semizorova as a reminder (and an assured one) of an earlier generation of artist. Grachova is technically splendid, and – whether in *Bayadère* or *Paquita* – seemingly untouched by what she is doing. Her interpretations are numb. Stepanenko, mistress of every dazzling step, zipped through *Don Quixote* as if in a rush to catch a train. In *Raymonda* she put on airs.

Both dancers lack even the faintest hint of lyricism or grandeur, and with several of the female soloists I noted the same tendency to push the choreography at us on terms that may best be called unsubtle. The Bolshoi's immense stage dictates largeness of effect, but these interpretations were less than attractive in their blank and unrelenting force.

Among the men, led by Andrey Uvarov and Srgei Filin, style was altogether more elegant. Uvarov in *Don Quixote* was a prince forced to go slumming; Filin, in *Raymonda* and *Sleeping Beauty*, was a prince in his own right. I also renewed acquaintance with Nikolay Tsiskaridze, as the Bluebird and as Ferhad in *Legend of Love*: the bright young talent of three years ago has matured into a stylish virtuoso. And, whatever reserves I may have about some performers, the Bolshoi remains the Bolshoi, and illustriously so: the line of 32 Shades pouring out of the night in *Bayadère*; the dash of the Hungarian dances in *Raymonda*, were proof enough of quality undiminished.

About Graz itself, it is a city of enormous charm, and that not the least of its pleasures (apart from a tempo of living that is designed to make one enjoy it the more) is the discreet beauty of its architecture. As a tourist's note, let me urge any visitor to travel from Vienna to Graz by train: you spend 2½ hours bewitched by forests, mountains, the occasional crag-perched schloss. High romance.

INTERNATIONAL ARTS GUIDE

■ AMSTERDAM

CONCERT
Concertgebouw Tel: 31-20-5730573
● Jeunesses Musicales World Youth Orchestra: with conductor Michel Tabachnik and pianist Geoffrey Madge perform works by Brahms, Gershwin and Dvořák; 8.15pm; Aug 8

EXHIBITION
Stedelijk Museum Tel: 31-20-5732911
● Uit het Lucebert-archief: exhibition focusing on the various artistic talents of the Dutch artist Lucebert (1924-1994). The display includes poems, drawings, paintings, prints, letters, films, posters, photographs, interviews, catalogues, newspaper clippings and other "Lucebertiana" from the collection of Kees Groenendijk; to Sep 1

■ BASEL

EXHIBITION
Museum für Gegenwartskunst Tel: 41-61-220828
● fremdKörper – corps étranger – Foreign Body: exhibition featuring video installations by Matthew Barney, Mona Hatoum, Gary Hill, Bruce Nauman, Marcel Odenbach and Bill Viola, created in between 1969 and 1996. Central theme of the exhibition is the presentation of the human body in art; to Sep 29

■ BERLIN

EXHIBITION
Berlinische Galerie – Martin-Gropius-Bau Tel: 49-30-254860
● Anne Ratkowski – Eine vergessene Künstlerin der Novembergruppe: exhibition devoted to the work of the German painter Anne Ratkowski, a member of the Novembergruppe, a movement of Expressionist artists formed in Berlin in 1918. The display includes still lifes and portraits; to Oct 13

■ CHICAGO

EXHIBITION
Art Institute of Chicago Tel: 1-312-4433600
● Since the Harlem Renaissance, Sixty Years of African American Art: exhibition of 29 works on paper from the museum's collection to complement the traveling exhibition "Alone in a Crowd". Featured are 20th century prints and drawings by about 15 African American artists, including Charles White, Walter Ellison, Allan Rohan Crite, Romare Bearden, Jacob Lawrence, Vincent D. Smith and Margaret Burroughs; to Aug 25

■ HOUSTON

EXHIBITION
The Menil Collection Tel: 1-713-525-9400
● Georges Rouault: exhibition of works by Georges Rouault including 75 paintings, works on paper, and objects drawn primarily from The Menil Collection holdings. The religious painter Georges Rouault (1871-1958) was a Catholic of deep persuasion who reacted against pompous academism and developed his own style – a combination of expressionism and refined primitivism harking back to the early Middle Ages, stained glass techniques and Oriental brush painting; to Aug 18

■ LONDON

EXHIBITION
Design Museum Tel: 44-171-3786055
● 100 Masterpieces. Furniture that made the Twentieth Century: exhibition featuring 100 pieces of 20th century furniture. Highlights of the show include the zig-zag chair by Gerrit T. Rietveld, E1027 by Eileen Gray, the Louis 20 chair by Philippe Stark, B3 (Wassily) by Marcel Breuer and the Well Tempered Chair by Ron Arad; to Oct 6
Queens Gallery Tel: 44-171-9304832
● Leonardo da Vinci: One Hundred Drawings from the Collection of Her Majesty The Queen: this exhibition includes preparatory sketches for paintings such as the "Adoration of the Magi" and the "Last Supper", designs for equestrian monuments, war machines and costumes for court entertainment. Next to these sketches this exhibition features studies relating to his enduring interest in water, flight and his studies in anatomy; to Jan 12
Whitechapel Art Gallery Tel: 44-171-5227888
● Whitechapel Open and East London Open Studios: new work by East London artists. The exhibition extends to film, video and installation as well as painting and sculpture. The project has become an important platform for contemporary British art; to Sep 15

■ LOS ANGELES

CONCERT
Hollywood Bowl Tel: 1-213-850-2000
● Hollywood Bowl Orchestra: with conductor John Mauceri and vocalist Judy Collins in a programme featuring works by American composers and fireworks; 8.30pm; Aug 9, 10

■ NEW YORK

CONCERT
Avery Fisher Hall Tel: 1-212-875-5030
● New York Philharmonic: with conductor Kurt Masur perform works by Tchaikovsky, Bernstein and Prokofiev. Part of the Lincoln Center Festival; 8pm; Aug 9, 10

DANCE
New York State Theater Tel: 1-212-875-5570
● Alvin Ailey American Dance Theater: the world premiere of a collaboration between choreographer Judith Jameson and composer Wynton Marsalis is the highlight of a schedule of six performances by the Alvin Ailey American Dance Theater. Music is performed by the Lincoln Center Jazz Orchestra, conducted by Wynton Marsalis. Part of the Lincoln Center Festival; Wed-Sat 8pm, Sun 1pm, Sat also 8pm; from Aug 7 to Aug 11

EXHIBITION
The Metropolitan Museum of Art Tel: 1-212-879-5500
● Bare Witness: Clothing and Nudity: exhibition examining costume in its dual role as both concealer and revealer of the female body from the 18th to the 20th century. In particular, the display examines fashion's windows on to the body: the exposure of shoulders, the baring of midriffs, the discreet baring of the torso and upper back through small apertures, and the controversial exposure of the lower back, breasts and leg; to Aug 18
Whitney Museum of American Art Tel: 1-212-570-3600
● Shigeko Kubota: exhibition featuring a new installation of metal, mirror, video, and motorized sculptures, created between 1992 and 1996 by Shigeko Kubota. The sculptures – some first shown at the 1993 Venice Biennale – include "Bird II", "Windflower", "Video Flower", "Windmill II", and "Video Tree"; to Aug 25

■ PARIS

EXHIBITION
Fondation Cartier pour l'Art Contemporain Tel: 33-1 42 18 56 50
● Comme un Oiseau: this exhibition explores the universe of birds as seen through human eyes, from some of man's earliest art to the most recent experiments in contemporary art; to Oct 13

■ THE HAGUE

EXHIBITION
Het Palels Tel: 31-70-3381120
● Leon Spilliaert (1881-1946): exhibition of some 100 works by the Belgian artist. His work includes gouaches, watercolours, drawings and illustrations for poetry; to Sep 1

■ WASHINGTON

MUSICAL
Opera House Tel: 1-202-416-4600
● Beauty and the Beast: Disney's Tony Award-winning musical. The show includes new songs written especially for this musical by Howard Ashman, Alan Menken and Tim Rice; Tue - Fri 8pm, Sat 2pm & 8pm, Sun 1pm & 6.30pm; to Sep 29 (Not Mon)

Listing compiled and supplied by ArtBase The International Arts Database, Amsterdam, The Netherlands. Tel: 31 20 664 6441

WORLD SERVICE
BBC for Europe can be received in western Europe on medium wave 648 kHZ (463m)

EUROPEAN CABLE AND SATELLITE BUSINESS TV
(Central European Time)

MONDAY TO FRIDAY

NBC/Super Channel:

07.00
FT Business Morning

10.00
European Money Wheel
Nonstop live coverage until 15.00 of European business and the financial markets

17.30
Financial Times Business Tonight

CNBC:

08.30
Squawk Box

10.00
European Money Wheel

18.00
Financial Times Business Tonight

Edward Mortimer

A mild patriotism

Even the supposedly liberal concept of civic nationalism cannot separate itself from culture and ethnicity

"The essential focus of loyalty remains the nation state." This statement, with which Douglas Hurd, the former UK foreign secretary, opened his Ditchley Foundation lecture last month, is much more widely accepted in 1996 than it would have been in 1990.

Since then, three multinational socialist federations in central and eastern Europe – Yugoslavia, the Soviet Union and Czechoslovakia – have broken up into nation states; and the European Union is now usually presented even by its most enthusiastic supporters as an association of nation states, rather than a developing multinational federation.

Political theorists by and large concur with Mr Hurd's judgment. Already in the 1980s the late Ernest Gellner, the anthropologist and intellectual, concluded that "nationalism is fated to prevail", as an inescapable reality of the modern world. This has led many modern thinkers to search for a benign form of nationalism which can be promoted as an antidote to the more dangerous forms.

Michael Ignatieff, for instance, in his book *Blood and Belonging* (BBC Books 1993), defends "civic nationalism" while condemning "ethnic nationalism". The former, he says, "is called civic because it envisages the nation as a community of equal, rights-bearing citizens, united in patriotic attachment to a shared set of political practices and values".

Some elements of this ideal, he believes, "were first achieved in Great Britain", but it was the French and American revolutions which turned it into a universal model.

Ethnic nationalism, by contrast, Ignatieff identifies as a German idea: "What gave unity to the nation, what made it a home, a place of passionate attachment, was not the cold contrivance of shared rights, but the people's pre-existing ethnic characteristics: their language, religion, customs and traditions."

Similarly Julia Kristeva, the Bulgarian-born French scholar, identifies with a "political, legal" concept of the nation, which she traces back to Montesquieu, the French philosopher, but rejects a "mystical" one, "rooted in soil, blood and language", which she too considers to be of German origin. And Jürgen Habermas, the German philosopher who largely accepts this critique of the German nationalist tradition, calls for a reconstruction of German national identity around "constitutional patriotism" – which sounds very like Ignatieff's civic nationalism.

Yet this distinction between ethnic and civic is a little too pat, as Robert Fine of Warwick University pointed out in an article in the journal *Democratization* in 1994. There are civic elements in the German tradition, and neither French nor British concepts of national identity are free of ethnic ingredients.

That certainly came across in a debate at Warwick on "multiculturalism versus laïcité" between Olivier Roy, a French expert on Islam, and Bhikhu Parekh, a British authority on community relations. Both French and British nationalists have a tendency to proceed from a particular notion of what is "civic" to a catalogue of virtues or "values" deemed to be rooted in French or British culture.

Many modern thinkers are searching for a benign form of nationalism, which can be promoted as an antidote to more dangerous forms

Champions of British national identity, such as Enoch Powell and Baroness Thatcher, associate it with parliamentary sovereignty, individualism, loyalty to one's kith and kin, and a sense of being a "singular" country "with her face to the oceans and her back to Europe". For Lady Thatcher, "the British character" includes a distinct set of virtues, notably economic ones, and is incompatible with socialism.

But as Professor Parekh points out, "every attempt to define national identity involves distortion". Lady Thatcher's version leaves no room for what others might see as important elements in British culture such as gentlemen, intellectuals, scepticism and self-doubt.

In the French case, civic virtues are held to include hospitality to refugees (*France, terre d'asile*), but also loyalty to the one and indivisible French republic with its separation of church and state (*laïcité*). This means, for instance, that Moslem girls must not import religious differences into state schools by wearing headscarves in class.

Olivier Roy defended this ruling on the grounds that the girls who wanted to wear the scarf, and those encouraging them to do so, "wanted not only to gain the right to choose but also the legal recognition of the scarf as a marker of a communal identity". The next step would be to make it "a moral obligation for any girl who calls herself a Moslem to wear the scarf".

Mr Roy argues that the French state would be wrong to accord recognition to such communal identities, since the demand for it comes not from the grassroots but from "a communal elite of would-be notables". He rejects multiculturalism on the grounds that it tends to freeze, if not create, separate cultures within French society, whereas what is happening spontaneously is the gradual integration of second and third-generation immigrants into French culture.

Prof Parekh, by contrast, argues that human beings are "culturally embedded", so that one is not truly respecting individuals unless one also respects the different cultures to which they belong. He therefore favours a "thin" concept of national identity which, instead of embracing values which many citizens will inevitably reject or fail to live up to, contents itself with a minimal consensus on the procedures and institutions needed to enable people of widely differing values and ways of life to live together.

He points out that "democracy creates as well as presupposes shared values". In other words, in so far as the British people share democratic values that is the result of their shared experience of democracy; and one should not demand that immigrant communities already share such values as a precondition of citizenship.

"Civic nationalism", then, cannot in practice, or perhaps even in theory, divorce itself completely from culture and ethnicity. If it insists on acceptance of its own civic culture as a condition of citizenship it soon finds itself discriminating against ethnic minorities, but if it waives that condition it risks consolidating or stimulating separate ethnic communities which exclude themselves from the civic nation.

LETTERS TO THE EDITOR

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Bosnians should have more time

From Mr Arthur C. Helton.

Sir, Carl Bildt, high representative in Bosnia-Hercegovina, rightly argues that one year "is not enough time" for the international community to fortify the reconciliation in Bosnia (Personal View, August 2). The continued military deployment by the "transatlantic coalition" and the establishment of "economic co-operation" will certainly be necessary to get down to the serious business of state-building.

However, there are important implications of an extension of the arrangement in Bosnia for a matter not mentioned in Mr Bildt's article – refugee repatriation. Only a few thousand of the 700,000 Bosnians in western Europe have returned. Given the climate of insecurity, the level of repatriation is nearly nil. As part of a renewed international commitment, host governments, particularly Germany, Switzerland and Slovenia, should cancel plans to revoke the status of Bosnians this autumn, and instead permit them to reside indefinitely in those countries. Voluntary return to Bosnia, of course, should be permitted and, indeed, encouraged to places of safety. But upwards of 500,000 Bosnians may need new permanent homes. While local integration undoubtedly will be the principal solution, the transatlantic coalition should also share this burden through enhanced resettlement commitments.

Arthur C. Helton,
Open Society Institute,
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NY 10106, US

The end

From Mr Dan Goncharoff.

Sir, The pedant in me is compelled to point out a subtle mistake in Observer ("Front line", August 5). While mentioning Grand Central Station, the stop on the subway, the article clearly was referring to Grand Central "Terminal", the official name of the railway station where all trains end their travels. This is a bit of NY trivia that most natives get wrong.

Dan Goncharoff,
Aystettstrasse 6,
D-60322 Frankfurt, Germany

Odd morality

From Mr Paul Shrank.

Sir, Re the letter from Mr Andrew Simms (August 3/4), are we now to understand that Christianity believes that stolen money should be used for debt relief rather than be returned to its rightful owners or their heirs? This seems a strange morality.

Paul Shrank,
33 Northway,
London NW11 6PB, UK

Nationalism by merely a different name

From Mr George Chowdharay-Best

Sir, There is obviously something in the hypothesis presented by Edward Mortimer ("The state of nations", July 31) on the subject of the nation or nation-state. But is not discussion bedevilled by the fact that before the American and French revolutions most states were monarchies, and it was therefore more correct to describe them as "kingdoms" or "realms"?

Even today, the UK is less of a "nation" than the US, if only because it consists of three nations in an older sense, England, Scotland and Wales, with the remains of a third, Ireland. It is more semantically correct to describe the US as a nation in the singular because its individual components are states, not nations.

There is no space for full discussion so I will confine myself to pointing out that when Henry VIII declared England to be independent of Rome he asserted that it was an "Empire entire of itself". Surely this was an assertion of nationalism in a sense indistinguishable from that of the past 200 years, despite the word used being different?

G. Chowdharay-Best,
27 Walpole Street,
London SW3 4QS, UK

Telecom problem lies with system, not dearth of numbers

From Mr Derek H. Broome.

Sir, Your editorial's headline "Famine of digits" (August 6) could mislead. BT's "PhoneDay" swept the problem under the mat, and the industry regulator, Oftel, is again lifting a carpet bulging with effluvium. A totally new approach based on customers' requirements rather than the convenience and prejudices of BT is now required.

There is no "famine", only misallocation. Eleven digits imply an ultimate address potential of 99bn. Where have all the numbers gone?

The problem lies with BT, which runs an electronic system on the lines laid down by Mr Strowger 100 years ago. What customers want is an address, not a line, and if this principle is followed, far less numbers would be needed, and the system would again be comprehensible. Some examples include:

- The 0 prefix is a relic of Strowger's ghost which clanked its way to an 0 level switch from one exchange to another. It could be abolished or used to multiply the existing numbers by 9.
- The chaotic national coding system occupies 19 pages of close print. Massive redundancy could be eliminated by combining these into a dozen areas of approximately equal potential capacity. With portable numbers, location is irrelevant.
- Companies with one directory number are given separate numbers for hundreds of lines. Modern programs can cope without this.
- BT and other operators reserve thousands of numbers for their own purposes.

The simple solution is to make the polluter pay. This can be done by removing directories as well as number allocation from BT control and transferring them to an agency which owns the copyright of both. It can be funded by charging operators for numbers and directory information. Individual customers should see a substantial reduction in line rentals which are presently bundled with directory and similar charges. Although Oftel has now taken responsibility for numbering, it has neither the resource nor the scope to tackle this fundamental problem.

Hopefully, with a more enlightened approach, free of electromechanical thinking, people might eventually punch in DHBMearsAsh and get me wherever. Why not? We have the technology.

My postcode, NN6 0DZ can find me within 100 metres. I do not have to have separate addresses for parcels and letters, or for deliveries other than by Royal Mail, and nor do I pay for my postcode.

Derek H. Broome,
52 Wellington Road,
Mears Ashby,
Northampton NN6 0DZ, UK

Personal View · Geoffrey Howe

When it's right to resist

We must prevent UK Eurosceptics from turning the Tories into an anti-Emu party

For some months now we have grown used to studying the entrails of the "Ken and Eddie Show" – the monthly meeting between Britain's chancellor of the exchequer and the governor of the Bank of England. But it is not the only show in town, nor even the most important.

The "Ken and John Show" – the longer running partnership between the chancellor and prime minister – will matter more in the months ahead. Two compacts lie at its heart. The first, crucial to the survival of the government, is the formal commitment made by John Major's cabinet in April to "keeping our options open at the next election" on a European single currency, in return for allowing a referendum if the UK enters during the next parliament.

The second is the unspoken pledge by both men to take no risks, fiscal or monetary, with the credibility of Britain's hard-won success in returning to the path of non-inflationary growth. Both these compacts are facing serious threat, ironically from "new right" forces within the Conservative party, led by John Redwood.

The hazards for Britain's European future grow clearer week by week. Two very recent events have focused attention specifically on the imminence and significance of the choices we make on a single currency.

First came the outburst of City anxiety at the risk of discrimination against the "outs" (non-Emu members) within Target, the future European payments system. Second was Toyota's warning about the dangers of the UK turning its back on European economic and monetary union.

Both episodes underline the practical importance of Britain's growing economic interdependence with Europe. The combination of EU membership and a successful single market has tied British industry into an "ever closer union" with the continent.

Since 1973, UK exports to EU states have grown twice as rapidly as to the rest of the world. Visible exports to Germany alone now equal those to the US and Japan combined.

As the EU has emerged as the largest single market in the world, so inward investment into Britain has boomed. The UK has attracted over 30 per cent of all inward investment into the Union – and recently 40 per cent of Japanese (£1bn from Toyota alone) and 50 per cent of South Korean. Foreign multinationals have been attracted not by the UK's 57m consumers, but because we offer a low-tax, enterprise-friendly access-point to 370m consumers in the EU as a whole.

John Major often proclaims Britain's aspiration to be the "enterprise centre of Europe". His phrase divides into two halves: first, pursuing enterprise policies; and second, being and staying, as he himself used to put it, at "the heart of Europe". Both are necessary conditions for this strategy to work.

It is the second component which is directly challenged by the ratchet effect of Euroscepticism. The "downright hostile attitude to UK membership", as it is rightly described by the chairman-designate of Unilever, "is deeply damaging to UK business and economic interests" and "risks further reducing its credibility as a negotiating partner and ability to shape the future of Europe": Niall FitzGerald is only one of many captains of industry to voice this fear. For them, the growing self-indulgence and introspection of the Conservative party on Europe risks causing lasting damage to Britain's economic and political prospects.

The prime minister's critics are now urging him to rule out UK entry into Emu, at any rate at the start of 1999. Who knows for sure when that project will actually start? But one thing at least seems clear. A further pledge to rule out entry on this or that or any other date would serve no purpose except to appease the Eurosceptics. On the basis of hard experience, they would simply pocket the concession and ask for more. Their salami tactics are well-known. Slice by slice, they seek to destroy John Major's room for manoeuvre, and so to convert the Conservatives into an anti-Emu party. We cannot and must not allow that to happen.

The Eurosceptics' "no to Emu" is characteristically matched by their rhetoric of "yes to tax cuts", at any price. My own record, as Margaret Thatcher's first chancellor, should leave no doubt about my deep hostility to high direct taxation. But we never doubted then that control of public sector spending and borrowing had to come first. It is totally foolish now to suppose, after 17 years of Conservative government, and with Britain's public spending less as a percentage of GDP than anywhere else in the EU (except Luxembourg), that any easy savings remain to be found. Ironically it is Eurosceptic ministers who control some of the highest spending departments: Michael Portillo (defence), Peter Lilley (social security) and Michael Howard (Home Office).

The opponents of a single currency say they want a tough monetary regime in Britain – even while advocating a higher priority to tax cuts over deficit-reduction – and claim that the UK could and should pursue the path of virtue alone.

The reality is that, outside Emu, Britain would have to pay a substantial premium for the "freedom" to follow, as an independent "sovereign" state, the very same path on to which an inner-core group of European states would be automatically locked by their shared commitments. That premium will be measured in higher interest rates and uncertain market confidence, because of the fear that the UK would use its freedom to devalue and inflate. Tax cuts in Britain would be *less* likely, not more, outside Emu.

Both players in the Ken and John Show understand that it is vital to resist the siren calls of the right. "Any enemy of John Major's," Kenneth Clarke once said, "is an enemy of mine." It is a two-man show. And the credibility and self-respect of each partner – not to mention the possible re-election of the Major government – depend upon its survival and its strength.

Lord Howe was UK chancellor of the exchequer 1979-83, foreign secretary 1983-89, and deputy prime minister 1989-90

COMMENT & ANALYSIS

FINANCIAL TIMES

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Soft landing in China

The Chinese authorities seem to have done a remarkable job of cooling inflation without stopping growth. They are now under strong pressure to loosen the monetary reins. Some relaxation is justified. But in China's semi-reformed economy, credit should remain tight.

According to the State Statistical Bureau, the Chinese economy registered 9.8 per cent real growth in gross domestic product in the first half of 1996 compared with the same period of 1995. Industrial output has also grown by 13.2 per cent so far this year and investment in fixed assets by 18.6 per cent. Meanwhile, inflation has continued to fall. Retail prices in the first half of 1996 were up 7.1 per cent over the same period last year. In 1995, by contrast, prices rose by just under 15 per cent.

All this sounds wonderful. Yet the *China Analyst* of the Bank Credit Analyst Research Group writes as if the economy were in recession. It argues that "major drags on the economy include the debt-burdened, withering state sector . . ., the fall off in investment and the resulting weak demand for capital goods, high inventories and low capacity utilisation . . .Other drawbacks include the strong exchange rate [and] lacklustre export performance."

For such reasons, the People's Bank of China is shifting towards easing, with an interest cut in May expected to be followed by others. Bank credit growth has also been accelerating sharply since April, from annual rates below 10 per cent. China's export growth has slumped, which suggests that the exchange rate is overvalued. This, too, would seem to justify a looser monetary policy in support of a devaluation.

Some monetary expansion is sensible. It does not seem wise, for example, to limit credit growth to below the rate of growth of nominal GDP. But the economy is already expanding and it can hardly need a big monetary boost, since the people already possess huge holdings of cash.

More important, the tight credit policy has been the most effective instrument for bringing about radical restructuring of state enterprises. Only if they know for certain that the banking system will not rescue them will these enterprises make goods they can sell and sell them to businesses that pay.

If the government cannot reform state enterprises head on, tight money is incomparably its most effective indirect instrument.

The authorities should congratulate themselves on their success and resist the clamour for across-the-board reliquification of the economy. It is unnecessary and could be seriously counterproductive.

Germany's beef

It is fortunate that the latest skirmish in the continuing beef war between Britain and Germany has come during the holidays. Everyone can take time to think. The flare-up started last week, when British scientists reported that "mad cows" could pass their disease to calves. This could not but damage the already depressed European trade. Tempers boiled over in Schleswig-Holstein, where a British flag was burned.

The German agriculture minister, Jochen Borchert, cast doubt on British efforts to eradicate bovine spongiform encephalopathy (BSE). Mr Borchert intimated that there were fears that the disease would affect dairy products. The response of Britain's Eurosceptics is predictable.

Yet the German government has a point. When full-time politics returns in September it may be seen that Mr Borchert's statements reflect the understandable concerns of consumers. These anxieties surfaced on March 20, when a British minister admitted that there could be a link between BSE and its human equivalent, Creutzfeld-Jacob Disease, or CJD. The possibility had previously been denied. The EU promptly banned British beef.

The argument that followed was muddied by a demand for scientific certainties that are not available. The British strategy was flawed from the outset. It was driven partly by the Treasury, which resisted the costs of slaughter, and partly by the Conservative party, which led the prime minister to treat the EU as the enemy.

A deal of sorts was patched up at Florence on June 21. Britain would produce a timetable of measures taken against BSE; the union would respond with a phased removal of its embargos. Britain stopped using the veto to wreck EU business. But Florence was not the end of the story. The slaughter will have to be expanded yet again, to include calves. The government may resist.

It would do better to revise the strategy. Consumers will not buy food that they fear may be unsafe. Government statements that there is nothing wrong with British beef are not reassuring. What is required is a fresh start, based on a clear intention to eliminate all traces of BSE from all herds, beef and dairy, old and new, mother and calf. Exports may have to wait.

This will be costly. If farmers are to co-operate they will require compensation at a level they regard as adequate. The ultimate price may, however, be lower than the costs incurred by the minimalism, procrastination, foot-dragging and name-calling that have characterised the British government's approach to date.

Jumbled mail

The latest UK postal dispute looks like bearing out what ought to be a golden rule for trade unionists. The more a company dominates its market – the closer it approaches a monopoly – the less it pays the workers to go on strike. No-one likes a monopoly except those who wield it. It is bad policy to rub it in.

The all-out postal strike of 1971 lost Royal Mail the bulk of the UK mail-order market. This time, the wave of one-day stoppages is hustling remaining customers, such as the junk-mail industry, into a similar search for alternatives. In a world of fast-expanding electronic media, postal workers need this like a hole in the head.

It was also in 1971 that the UK government last withdrew the Post Office monopoly. It has now done so again. This illustrates the other danger: that industrial action at a monopolist brings the monopoly itself under official scrutiny.

Being temporary, the suspension is so far only a gesture. To the extent that it is aimed at resolving the dispute, it could even prove beneficial. The Post Office has made substantial concessions, which have divided both the union leadership and the rank and file.

The harm would come if the government, having toyed with the weapon of suspending the monopoly, were to rush into making abolition permanent in the absence of a broader strategy for the Post Office.

Removing the monopoly might seem at odds with the government's commitment – renewed this week – to the twin pillars of the letter service: universal service and a uniform price. But the link is not absolute. In the US, for instance, local phone companies are now being exposed to competition, while still being obliged to serve outlying districts. The obligation will be funded by the simple expedient of charging a levy on competitors.

If the Post Office were further weakened in this way, would it matter? Not in one sense. The consumer would enjoy a multitude of alternatives, and the Post Office, like its US counterpart, would eke out a living as a carrier of last resort.

The difference is that the UK Post Office, as a National Consumer Council survey repeated this week, is very good at its job. More than four fifths of the population is satisfied with its performance, which puts it ahead of telecoms, gas and electricity, and also represents a substantial advance since 1990.

It remains the case that the Post Office would be better off in the private sector. But that is a matter to be determined by careful debate. The government has already retreated once from privatisation. The short-sightedness of the postal union should not encourage it to solve the issue by the back door.

Japan waits for the call

Delays over liberalising the telecoms industry and restructuring NTT are hampering competitiveness, says **Michiyo Nakamoto**

At a time when world telecommunications markets are expanding rapidly, Japan's telecoms industry, the largest in the world after the US, has been left in an uncomfortable limbo.

For years Japanese politicians have shied away from deregulating the industry and from breaking up Nippon Telegraph and Telephone, the world's biggest telecoms operator. Businesses, supported by the Ministry of Posts and Telecommunications, believe that liberalisation is essential to improve Japan's competitiveness, especially in information technology.

"There is not a single good thing about the delay," said Mr Eiichi Tanaka, senior adviser at the ministry, after the latest government decision to suspend the deregulation measures that would have made it easier for foreign companies to operate in Japan. "The postponement is regrettable," added Mr Susumu Miyoshi, a director of Toyota, Japan's largest carmaker.

The government is now determined to make a decision on NTT's future by the end of this year. Mr Ryutaro Hashimoto, the prime minister, recently urged the telecoms ministry and the Ministry of International Trade and Industry to co-ordinate their efforts to create an advanced information society in Japan.

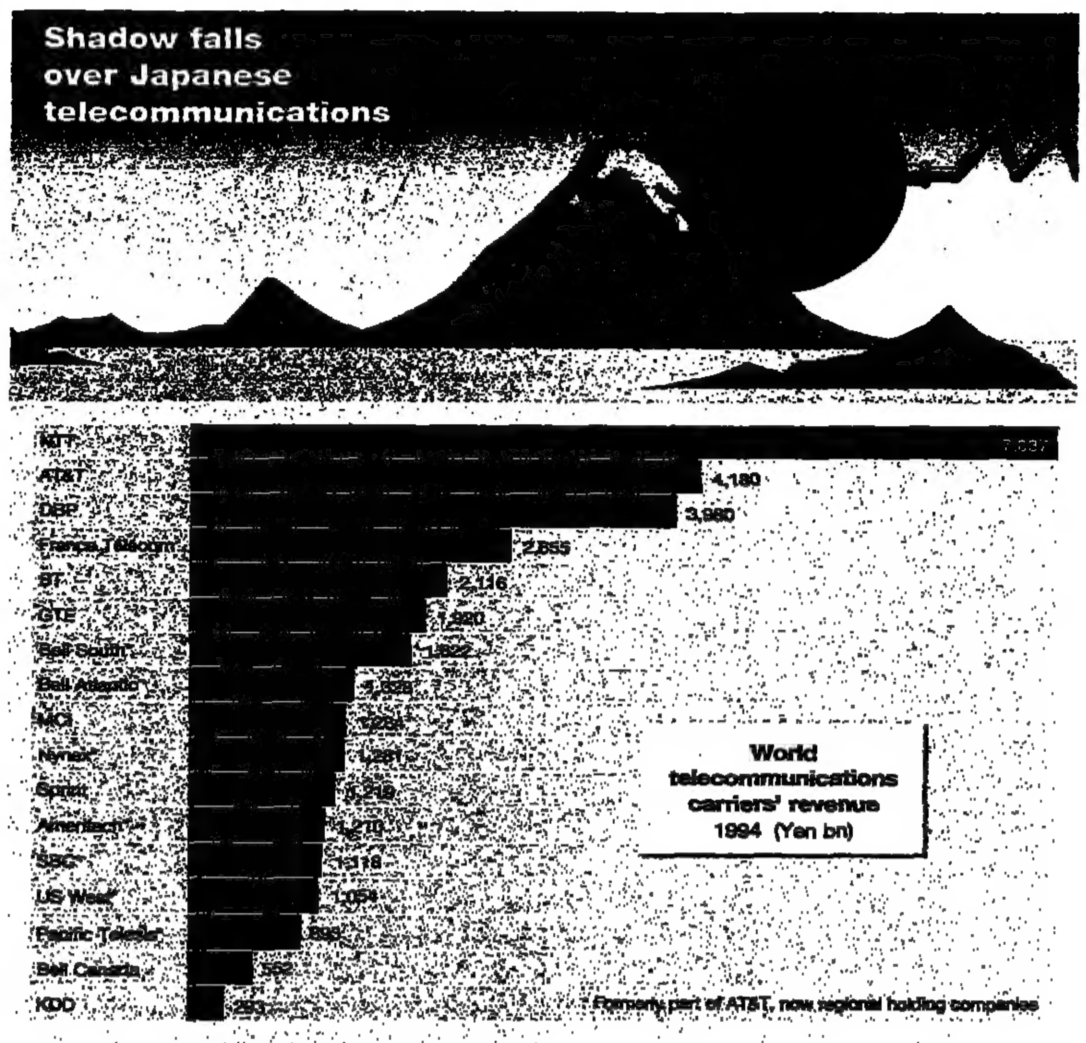
NTT commands a virtual monopoly of the local market and a nearly 70 per cent share of the long-distance market, but does not handle international traffic. Increased competition will depend on whether NTT will be allowed to continue operating both local and long-distance networks. At present it is the only Japanese operator permitted to do so.

The Japanese market was one of the first to be liberalised when NTT was privatised in 1985, and, in theory, any Japanese company that wins a licence can start telecoms services. The number of telecoms operators in Japan has risen from just two in 1985 – NTT and KDD, the international operator – to 2,928 today, including those which do not own their own networks.

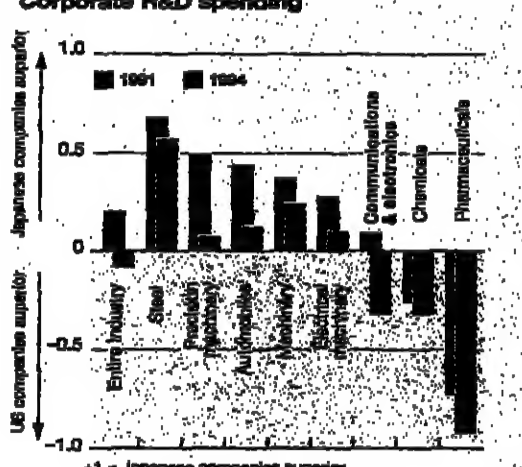
But the new market entrants are dependent on NTT for access to consumers, which restricts their ability to provide effective competition. Long-distance companies, for example, must pay NTT access charges to link up to the local network. These amount to almost half their revenues, according to the Ministry of Posts and Telecommunications.

NTT's dominance has been blamed for keeping Japanese telecoms rates conspicuously high by international standards. While long-distance rates between Tokyo and Osaka have fallen by 67 per cent over the past 10 years, domestic long-distance calls are still up to four times higher in Japan than in the US, the UK, Germany or France, the ministry points out.

Worse still, in areas where NTT faces almost no competition, rates have gone up. The basic monthly subscription rate for a telephone line has risen from Y1,550 in 1985 to Y1,750 (£10.60). Japanese telephone users must also pay NTT an initial subscription charge of Y72,800, more than four times that charged in the UK and 13 times higher than in France.



Corporate R&D spending



Communications market

	US	JAPAN	PER CAPITA RATIO US/JAPAN	YEAR
E-mail boxes (m)	40.0	3.13	6	1994
Host computers connected to the Internet ('000)	6,053	289	11	Jan 1996
Personal computer shipments (m)	18.40	3.35	3	1994
Database operating revenues (Yen bn)	1,431.5	210.8	3	1993
Market scale of CD-Rom (Yen bn)	630.0	83.0	4	1993
Cable TV subscribers (m)	61.02	2.21	13	1995
Mobile-phone subscribers (m)	28.15	5.35	3	June 1995

Source: Telecommunications Council Report to the Japanese Ministry of Posts and Telecommunications

NTT's control over the local loop has also restricted the growth of new telecoms services in Japan. It took NTT's long-distance competitors seven years to secure an agreement with NTT for interconnection to its local network that would allow them to provide services used by big companies for linking their branches. The long-distance companies were able to reach agreement with NTT only after intervention by the telecoms ministry – and a full year after NTT itself began a rival service.

"We have had to spend years on interconnection negotiations [with NTT] and that has obstructed the speedy development of our business plans," says Mr Yusai Okuyama, president of DDI, a long-distance carrier.

The high costs of telecommunications in Japan and the inability of operators to introduce new services quickly and smoothly are a big concern for Japanese companies, anxious to reduce costs and remain competitive in global markets.

"From the standpoint of business users, a reduction in telecommunications costs and an improvement in the availability of services are crucial to the strengthening of Japanese industry overall," according a report by the Keidanren, Japan's most influential business organisation.

There is also concern that uncertainty about the future status of NTT is holding back Japan's telecoms industry in the global race to develop advanced networks. Japanese telecoms groups find it difficult to form strategic alliances without knowing what is going to happen to NTT.

"Many telecoms companies recognise that as barriers come down they cannot survive on their own. But whether NTT is separated or not makes a major difference on whom they choose to tie up with," says Mr Akiyoshi Hayakawa, industry analyst at Nikko Research Center, a private think tank. "The world is moving ahead as barriers fall, leading to a far-reaching restructuring of the industry. But Japanese companies are being left behind because they cannot set out their strategies."

This uncertain outlook has global consequences, as international carriers such as AT&T of the US and British Telecommunications compete to build world alliances. In Japan the doubt surrounding rules prohibiting KDD from offering domestic services and NTT from offering international ones means that finding a Japanese partner can be tricky.

AT&T, for example, has tied up with KDD and NTT respectively as the international and domestic links in Japan for its WorldPartners global telecoms consortium. However, government proposals to allow KDD into the domestic market and NTT into the international market have created tensions between the two companies "that does not lead to co-operation", says Mr Lee Daniels, president of AT&T Japan. "The [WorldPartners] trial has not been as successful as we would have liked it to be," he concedes.

European telecoms companies are also at a loss about how to develop their business in Japan. Deutsche Telekom and France Télécom, which have set up a joint venture with Sprint, the US carrier, to offer network services such as Internet access are keen to expand their presence in Japan.

While the rules do not prevent foreign companies from entering the Japanese market, "until NTT is allowed to have a degree of freedom overseas, [the view is that] Japan will not be ready to allow foreigners to enter the Japanese market significantly," says Mr Jonathan Solomon, an executive director of Cable and Wireless. C&W has an 18 per cent stake in IDC, the international carrier, an 8 per cent share of Tokyo Digital Phone, the mobile operator, and smaller stakes in three other mobile operators.

A decision on NTT's future structure will also determine other issues such as the possible full privatisation of the company. Although NTT is listed in Tokyo, New York and London, it is still 66 per cent owned by the Ministry of Finance and foreign ownership is restricted to 20 per cent.

By putting business plans on hold and hampering further competition, the indecision on NTT has jeopardised Japan's chances of becoming the Asian hub of the global telecoms industry. "Without a restructuring of the Japanese telecoms industry, Hong Kong or Singapore will take that role," Mr Hayakawa warns.

The high cost of telecoms in Japan is already directing traffic outside the country, through services such as international "call-back" operations. These turn international calls which originate in Japan into calls which originate in the US, where rates are much lower.

The government's plan to draw up rules on wider access to NTT's local networks by the end of the year – together with deregulatory measures which are being pursued separately from the NTT issue – will go some way towards promoting further competition. But there is no question that a decision on whether or not to break up NTT is critical to the further development of Japan's telecoms market.

The government faces a national election before next summer, making it unlikely that the political pressures which prevented decisions in the past will have disappeared before it approaches its new, self-declared deadline at the end of the year.

Rapid change in global telecoms markets makes a decision on NTT all the more urgent. Many issues, from the need to develop new services (in which Japan lags behind the US) to the drive by big international operators to forge alliances across national boundaries depend on the future shape of NTT.

"The most important thing," says Mr Hayakawa, "is to stem the further decline of Japan's telecoms industry as soon as possible."

· OBSERVER ·

Beating the odds

■ Executives at Theros Gaming, a Chicago-based company which has invested Dr3.5bn ($15m) in a new casino outside Patras in western Greece, are breathing sighs of relief. After months of delay, Vasso Papandreou, the Socialists' "super-minister" for development, last week put her signature to a contract. The roulette wheels started spinning over the weekend.

Although Theros has created some 500 jobs in a depressed region, Ms Papandreou could not spare the time to attend a formal signing ceremony. No matter – the company had feared that she would call off the project altogether. In April, Papandreou, a former European social affairs commissioner, gave foreign investors a fright by cancelling a licence awarded to an international consortium in 1994 to build a casino in Athens.

Though Papandreou does not object to gambling – friends say she enjoys a late-night session of "beriba," a complicated Greek version of rummy – she was reportedly concerned over lack of transparency in the bidding for the Athens casino, which had been organised by a predecessor.

The long wait for the go-ahead gave Theros time to think up new ways of giving the local community a helping hand. First it agreed to turn over 2 per cent of the casino's gross income to the Patras municipality. And last month it decided to make 0.25 per cent of the house winnings available to the nearby municipality of Aegion, a small town whose tourist industry is trying to recover from a disastrous earthquake last summer.

Oddly enough, Aegion is also Papandreou's home town.

Crying wolf

■ Recent ructions at Crosby Securities, the stockbroking arm of the rather aggressive little Asian merchant bank Crosby Financial Holdings, have constituted good news for Manu Bhaskaran, its prominent Singapore-based economist. After a wave of defections, he has been promoted to run its entire south-east Asian operation.

If Bhaskaran is a familiar name above and beyond his relatively opinionated economic musings, it is on account of a celebrated 42-day trial in the island state which ended in the spring of 1994. Bhaskaran – in the company of two other economists and two business journalists – was found guilty of breaching Singapore's Official Secrets Act, and the five were fined a combined sum of S$21,000.

The fuss concerned the publication, in the Business Times, Singapore's main financial daily, of growth figures for the second quarter of 1992. It was a forecast – spot on, at 4.6 per cent, and more than a month in advance of official publication of the numbers.

Whatever the dire predictions at the time of the curtailment of economic analysts' forecasting activities, Bhaskaran does not seem to have been noticeably cowed. Crosby is probably not the sort of firm to be intimidated either.

His promotion merely underscores how the authorities' bark measures up to their bite.

Naked force

■ Ask painter Sergei Bocharov what has changed in post Soviet Russia, and he would probably answer – not much.

Bocharov had entered his painting, The Kremlin Bath, for an exhibition at Moscow's Central House of Artists. It depicted – tastefully, no doubt – Boris Yeltsin, Victor Chernomyrdin, and other well-known political and artistic figures lounging around nude in an imaginary bath in the Kremlin. For some reason, the chief of the presidential guard chief, Alexander Korzhakov, appeared clothed – sporting a nice blue suit.

Just before a private opening of the exhibition, Bocharov discovered that his *oeuvre* had been withdrawn. The gallery explained that it had received orders "from above" not to show it. So Bocharov collected his painting, and drove off, feeling dejected. But not as dejected as he was a few minutes later when, having been stopped by the police and accused of a traffic offence, he turned back to his van to discover that the door had been forced open and the painting removed.

It's history

■ Choosing a handle for an association of litigating Lloyd's of London Names has never been easy, given the insurance market's complexities. Even titles of some of the oldest and largest, such as the Gooda Walker Action Group and Feltrim Names' Association, took a little time to roll off the tongue.

As the market's rescue plan moves to a conclusion this month, so the designations have become more difficult. Latest to prepare last-minute legal challenges is the succinctly-titled Merrett 799, 1066, 1067 and 1068 (1990) Litigation Group.

Otherwise known as 1066 and all that.

The Financial Times

100 years ago

Incident at Ostend
Members of the Stock Exchange do not usually go about clad only in a straw hat, a pair of shoes and a wrapping of towels. Such, however, was the figure presented yesterday by Mr. Percy Marsden, a broker, at the Belgian resort of Ostend. Returning to his bathing-machine after a "dip", he found only the straw hat and the shoes, some dishonest loafer having abstracted the remainder of his garments together with a valuable watch and chain and a pocket-book containing some bank acceptances. Hatted and shod, but with only towels encompassing his manly form, Mr. Marsden was escorted to his hotel.

50 years ago

Shortage of Newsprint
Following the ratification by Congress of the U.S. Loan to Great Britain, the Government promised an increase in the supply of certain commodities of which newsprint was one. But for newsprint the scarcity of hard currencies is not the only problem: another and more important one at the moment is the acute shortage of world supplies in relation to a demand which appears almost insatiable.

FINANCIAL TIMES
Wednesday August 7 1996

Government fixes sale date despite union opposition

Italy to press ahead with telecoms sell-off

By Robert Graham in Rome

Italy's centre-left government yesterday took a historic decision to press ahead with the L25,000bn ($16.38bn) privatisation of Stet, the telecoms group, and split off non-core businesses in the face of strong opposition from unions.

Stet's privatisation is part of a Europe-wide liberalisation of the telecoms sector, and the Italian government hopes the sale will be seen as a sign of its willingness to open the economy to outside investors.

The government fixed a sale date between February 1 and March 31 next year, placing it between the impending sell-off of Deutsche Telekom and that of France Télécom, the other two national monopolies being privatised. Stet, which is 62 per cent owned by Iri, the Italian state holding company, has been on the privatisation list since 1993. But progress has been blocked by a cross-party alliance and by objections from unions anxious to preserve an important source of patronage and jobs.

Yesterday's decision represented an important victory for Mr Carlo Azeglio Ciampi, the treasury and budget minister, who is determined to accelerate the privatisation process to raise revenues for Iri and to signal Italy's desire to loosen the state's grip on the economy.

The decision, reached at a restricted cabinet meeting, included the guidelines under which the Treasury will control the privatisation of Stet, which has a market capitalisation of L25,000bn. The Treasury is today expected to write a letter to the board of Iri spelling out these guidelines.

The non-core businesses will be sold off first. This will happen before a telecoms regulatory authority, already approved by parliament, begins operating in the autumn.

Market analysts believe the break-up of Stet with the separate sale of its non-core businesses could increase the overall value of the privatisation by up to L8,000bn. At the same time, Iri desperately needs to begin raising funds to reduce its huge debts. Under an agreement with Brussels in 1993, Iri's debt must be cut by almost L20,000bn by the end of this year and only by a Stet sale. A sell-off of some fringe businesses gets around the delay in setting up the regulatory authority.

The first company to be sold will be Seat, the yellow pages and publishing subsidiary of Stet. This could raise up to L3,000bn. It is expected that next in line will be Italtel and Sirti, which are both involved in equipment manufacture and engineering.

In last night's brief communiqué after the cabinet meeting, there was no mention of Finsiel, the valuable software subsidiary, but this is unlikely to be left within Stet. In the treasury's directive to IRI, it is also expected to spell out whether Stet merges with its other quoted telephone operations, notably Telecom Italia, the main domestic operator.

Japan waits for call, Page 9

Pressure grows for OECD reform and budget cuts

By Gillian Tett, Economics Correspondent

The industrialised world's influential think-tank, the OECD, is facing growing pressure for sweeping reform of its operations and budget cuts.

A top official of the Organisation for Economic Co-operation and Development has called for radical changes at the Paris-based group and the first major management consultancy report on the group found gross inefficiencies.

Criticism of the OECD follows a decision by the US, the group's biggest donor, to cut its budget contribution.

The developments have increased pressure on Mr Donald Johnston, the organisation's new secretary-general, to introduce sweeping changes.

Mr Johnston, who arrived at the organisation two months ago, has already tightened management structures and will unveil broader plans for reform this autumn.

The US and several other countries hope these will involve radical cost cutting.

The US, which provides 25 per cent of the OECD's FFr1.7bn ($330m) budget, recently cut its contribution by 2.5 per cent. Its move is likely to be copied by other countries soon.

With staff costs accounting for some 85 per cent of the budget, there are growing fears of job cuts among the group's economists.

Some officials hope savings can be made in support staff. According to the report from the consultancy Coopers and Lybrand, OECD support staff are badly organised, over-expensive and so bureaucratic that they left the management "burdened by regulations".

The report suggests that some functions like security and translation work could be contracted out to private companies.

However, calls for cuts are being opposed by some countries. Japan, the second-largest donor providing 23.5 per cent of the budget, fears budget reductions could affect the quality of the group's work.

Mr Takashi Nakamoto, minister at Japan's OECD delegation, said the OECD was "a body of brains – if that suffers the quality of the group suffers".

Mr Pierre Winde, outgoing deputy secretary-general of the group, echoed these fears.

In a recent statement to OECD leaders he warned that cutting staff salaries would leave the group unable to attract competent economists. Some countries were already "topping up" OECD salaries to persuade economists to work there, he added.

Mr Winde acknowledged that the group had changed in recent years but said the OECD management was too inflexible.

He called for an end to the tradition of requiring OECD members to agree publicly on every matter. This made its research and statements "bland", he said, arguing that countries should issue dissenting reports.

Croats and Moslems to share power

Continued from Page 1

for an indefinite period of time.

While EU officials yesterday welcomed the agreement, they were worried that it had failed to resolve the dispute and merely postponed it. "We have had previous experience when one of the parties refuses to accept a decision which is clearly legal," said an EU official.

"When the court decision comes, the parties may choose to ignore it. We have overcome one problem, but the quarrel will go on somewhere else," he said, speaking on condition of anonymity.

Chinese bank aims to put an end to the queue

By Tony Walker in Beijing

A Chinese state-owned bank is attempting to break with a long tradition of poor service by promising to compensate customers if it fails to meet a quota of minutes for every transaction.

The Bank of China, the foreign currency bank, has set a time limit of two minutes for current account transactions, six minutes for foreign currency business and three minutes for trading in state treasury bonds.

If sluggish staff take longer than allotted, customers would be paid Yn1 (12 cents) for each minute of delay, generous compensation in a country with an average annual urban salary of only Yn5,218 and which offers low interest rates for depositors.

Western bankers, familiar with surly staff and the culture of the queue, expressed scepticism about China's latest reform.

"It may hopefully stop staff going and having a tea break or conducting a lengthy private telephone call in the middle of a transaction," said one foreign businessmen. "But I would be very surprised if it led to much of an improvement."

Chinese banks, generally, are unwelcoming. Sleeping tellers are not unusual and staff often seem more interested in talking to each other than to customers. And then there is the counting of the money, when wads of *renminbi*, "people's money", are counted and recounted, while customers, waiting for their share, are kept waiting.

But Bank of China, one of China's "big four" specialised banks, clearly feels obliged to respond to increased competition from commercial banks, including foreign joint ventures, which are beginning to cut into its business.

Mr Wang Xuebing, the bank's president, said recently that the bank was facing "significant" challenges. "Lines between banks are becoming blurred," he said. "Bank of China is now playing in an arena in which a lot of people are fighting."

This is reflected in the fall in its share of foreign exchange transactions. While BoC continues to dominate the market, its share last year was down to 70 per cent compared with more than 90 per cent a decade ago.

China's banking market is dominated by the Industrial and Commercial Bank, Agricultural Bank, Bank of Construction and Bank of China, which account for more than 80 per cent of loans.

Editorial Comment, Page 9

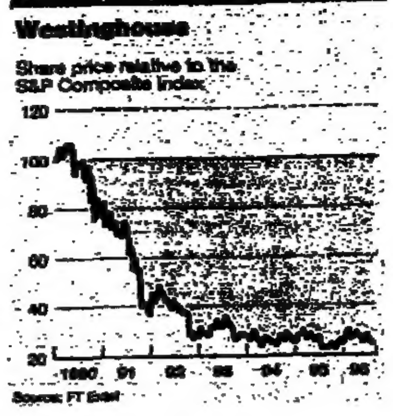
THE LEX COLUMN

Westinghouse woes

Westinghouse sees 1996 as a transition year, in which it digests its strategic switch from defence into broadcasting and radio. But it is a metamorphosis that has failed to catch the imagination. True, the newly acquired media businesses are performing far more strongly than its old core, although this is not difficult when the power systems division continues to churn out substantial losses. But with Mr Michael Jordan, the chairman, predicting a tough third quarter for the CBS television network, media is not revealing itself as the holy grail investors were promised. And the collapse in share prices at Disney and Viacom this year has already raised questions over the desirability of Westinghouse's push towards being a media conglomerate.

This must be immensely frustrating for Mr Jordan. He was brought in to sort out Westinghouse and has received little thanks for his efforts in share price terms. Yet the CBS deal, and expansion of Westinghouse's radio interests, both look well-timed. Indeed, the media strategy is already showing some signs of working; growth in radio revenues outstripped the US average, while margins are strengthening. If Mr Jordan can demonstrate similar operational improvements at CBS, he should rapidly win over the sceptics. But in the meantime, the performance of the struggling industrial division looks enough to discourage any re-rating.

FT-SE Eurotrack 200: 1693.5 (-5.2)



Zeneca

For a company that claims not to be worried by bid speculation, Zeneca went out of its way yesterday to paint a promising independent future for itself. In the next five years it aims to become the world's premier anti-cancer company, reinforce its number two position in agrochemicals and increase its earnings per share by 15 per cent a year.

In the short term, these goals look realistic. The company would hardly have published such an ambitious earnings target if it did not feel it could meet it and beat it. Pharmaceutical sales are growing at 15 per cent a year and accelerating. While launch costs have temporarily depressed margins in the drugs division, agrochemicals are taking up the slack. Three new cancer treatments should help Zeneca catch up with Bristol Myers Squibb, the current leader in oncology. And the group also has novel medicines for asthma and schizophrenia.

But while Zeneca's operational performance continues to be excellent, its strategic position looks less secure. The group has been reluctant to do deals, especially with biotechnology companies. As a result there is nothing in development to refresh its maturing cardiovascular franchise – still the biggest earner. A more aggressive in-licensing programme is seeking to correct this but Zeneca recently failed to get Warner-Lambert's new cholesterol-lowering drug, which went to Pfizer. It needs more wins if its management wants to continue on its independent path.

Barclays

Banks are highly geared beasts: when their earnings are good they are very, very good; when they are bad they are horrid. But finally, this effect is working in Barclays' favour. Increase operating income by an unremarkable 6 per cent; cut costs by 2 per cent – and hey presto! Operating profit before provisions bounces up by a fat 25 per cent. Of course, such perky profits growth is exceptional: a good chunk of it reflects a one-off turnaround in a clutch of "businesses in transition" in Europe and the US. Moreover, earnings are bound to be buoyant when provisions are, as now, unusually low.

Still, yesterday's interim results were very solid: to have kept costs flat, and interest margins in the UK actually growing, were notable achievements. The spurt in Barclays' share price this year, reversing part of last year's underperformance against the banking sector, looks comfortably justified.

There is, of course, no great magic in Barclays' strategy. The bank proudly proclaims a new attitude – that "credit risk inherent in lending must be recognised and priced for when the initial lending decision is taken" – but this hardly amounts to a blinding revelation. Nonetheless, however basic a virtue it may seem, investors have every reason to be grateful for Barclays' keenness to avoid splurging capital on silly risks. And the resulting increasingly generous handouts – both strong dividend growth and ample buy-backs – are turning the stock into an outstanding cash-machine for shareholders. Boring it may be, but there are worse sins for a bank.

Christian Salvesen

Having rejected the bid approach from fellow logistics group Hays, the directors of Christian Salvesen now have to deliver some shareholder value of their own.

The omens are not promising. The strategic options cited by Salvesen yesterday – including asset sales, demergers and special dividends – look like they have been lifted from a corporate finance textbook. According to Mr Chris Masters, the chief executive, they have all been under consideration for some time – a time during which Salvesen's share price performed miserably but nothing much in the way of value creation materialised. In truth, it is difficult to see what Salvesen can do to close the gap between its current 304½p share price and Hays' 390p offer. A special dividend might be a welcome sop to institutional shareholders but would sit slightly oddly with the group's ostensible tag as a growth business. Salvesen's only potential hidden jewel is Aggreko, the power hire business, which apart from one blip has shown it can grow at 15 per cent to 20 per cent a year. But selling Aggreko is apparently impossible because of hefty capital gains tax charges, while floating it would be difficult since there are few easy comparatives.

Given the poor record and Salvesen's unwillingness to entertain a bid that valued it at a 40 per cent price-earnings premium to the market average, the suspicion must be that the group is being run for the benefit of the Salvesen family rather than all its shareholders. The onus is now on the group's directors to disprove that – and they do not have much time.

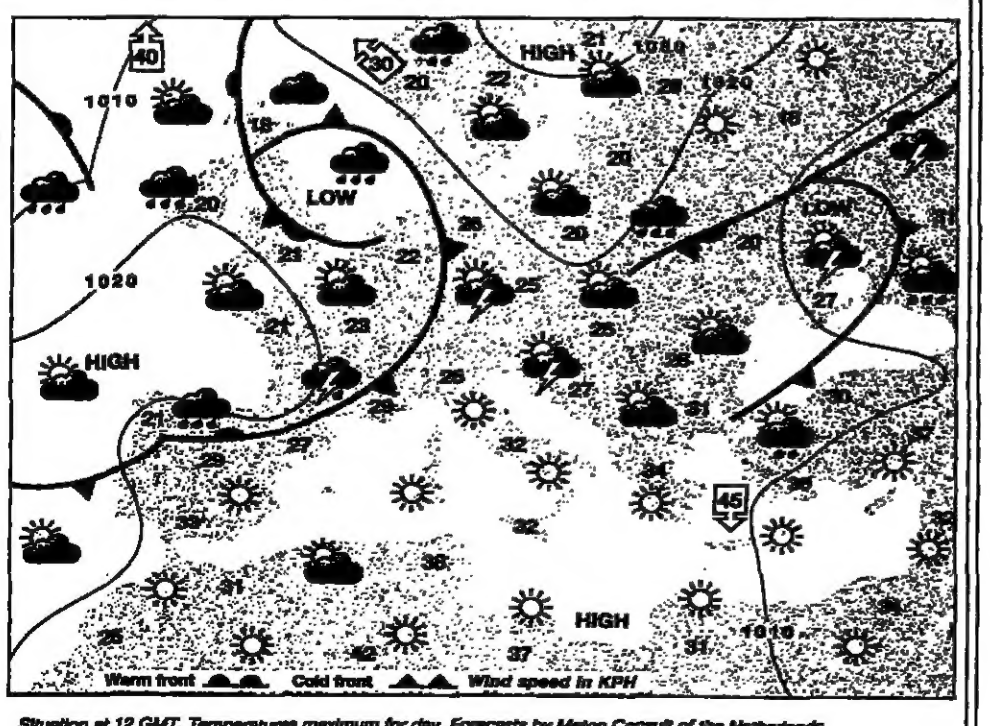
FT WEATHER GUIDE

Europe today

A zone with rain and thunder showers embracing Germany, Switzerland, south-eastern France, the Pyrenees and northern Spain and Portugal will slowly move east. Ahead of this zone, warm and unstable air will produce scattered thunder storms in Austria and northern Italy. Behind this zone, cooler air will enter western Europe. Southern parts of Spain and Portugal, Italy, the southern Balkan states, Greece and Turkey will remain sunny and dry with tropical temperatures. Scandinavia will also be dry with temperatures around 22C.

Five-day forecast

The British Isles will remain unsettled. The mainland of western Europe will be dry and sunny but rain and thunder will arrive during the weekend. Scandinavia will stay dry, except for southern Norway. The Mediterranean will remain sunny and warm.



Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

TODAY'S TEMPERATURES

	Maximum Celsius																
			Beijing	fair	35	Caracas	thund	31	Faro	sun	26	Madrid	fair	29	Rangoon	rain	29
			Belfast	shower	20	Cardiff	fair	19	Frankfurt	thund	24	Majorca	sun	31	Reykjavik	rain	14
Abu Dhabi	sun	43	Belgrade	fair	27	Casablanca	sun	25	Geneva	rain	23	Malta	sun	34	Rio	fair	26
Accra	fair	27	Berlin	fair	24	Chicago	thund	32	Gibraltar	sun	29	Manchester	shower	18	Rome	sun	32
Algiers	fair	33	Bermuda	thund	26	Cologne	fair	23	Glasgow	shower	19	Manila	shower	34	S. Frsco	sun	23
Amsterdam	shower	20	Bogota	shower	19	Dakar	fair	31	Hamburg	thund	23	Melbourne	shower	13	Seoul	fair	33
Athens	sun	34	Bombay	thund	31	Dallas	fair	37	Helsinki	fair	21	Mexico City	fair	20	Singapore	cloudy	32
Atlanta	fair	33	Brussels	shower	20	Delhi	cloudy	31	Hong Kong	thund	32	Miami	fair	34	Stockholm	fair	22
B. Aires	fair	16	Budapest	fair	25	Dubai	sun	42	Honolulu	fair	32	Milan	shower	28	Strasbourg	thund	23
B.ham	shower	20	C.hagen	fair	21	Dublin	cloudy	20	Istanbul	fair	30	Montreal	fair	30	Sydney	fair	19
Bangkok	thund	34	Cairo	sun	34	Dubrovnik	sun	30	Jakarta	fair	32	Moscow	cloudy	18	Tangier	sun	27
Barcelona	shower	27	Cape Town	fair	17	Edinburgh	rain	19	Jersey	sun	22	Munich	thund	25	Tel Aviv	sun	33
									Karachi	fair	31	Nairobi	fair	28	Tokyo	shower	28
									Kuwait	sun	45	Naples	sun	32	Toronto	fair	31
									L. Angeles	sun	26	Nassau	fair	32	Vancouver	fair	22
									Las Palmas	sun	29	New York	fair	31	Venice	fair	26
									Lima	cloudy	19	Nice	sun	28	Vienna	shower	25
									Lisbon	fair	25	Nicosia	sun	37	Warsaw	fair	20
									London	rain	21	Oslo	cloudy	20	Washington	fair	32
									Lux.bourg	fair	21	Paris	fair	23	Wellington	fair	10
									Lyon	thund	23	Perth	fair	17	Winnipeg	fair	23
									Madeira	fair	26	Prague	fair	25	Zurich	rain	20

صكنا من الاهل

FINANCIAL TIMES
COMPANIES & MARKETS
Wednesday August 7 1996

IN BRIEF

Westinghouse warns on quarter

Westinghouse Electric, the US industrial conglomerate in the throes of transforming itself into a media company, reported a second-quarter operating profit of just $27m. It also warned of worse to come for the third three months of the year. Page 13; Lex, Page 10

Wienerberger fall ends 5-year run
Wienerberger, the rapidly growing Austrian building materials company that claims to be the world's biggest brickmaker, has suffered its first profits setback in five years. Pre-tax profits in the first six months of 1996 fell 17 per cent to Sch556m ($53.3m). Page 12

Recovery reaches Swedish property
A year or two ago, few investors dared go near Swedish property companies. A tenth of Sweden's private property owners went bankrupt between 1991 and 1994 amid a large property loan loss crisis. But a tentative recovery is under way. Page 12

Newcrest liquidates hedging contracts
Newcrest Mining, the Australian gold mining group which this year tried unsuccessfully to merge with Normandy Mining, said it had liquidated the bulk of its gold-hedging position for a pre-tax profit of A$270m (US$209m). Page 13

Giordano plans Beijing store chain
Giordano International, Hong Kong-based fashion retailer, plans a chain of stores in Beijing – two years after problems in China resulted in the closure of 30 outlets there. Page 13

Salvesen rejects rival's £1.18bn offer
Directors of Christian Salvesen are to consider options ranging from disposals to a demerger after rejecting a revised £1.18bn ($1.84bn) takeover approach from rival UK distribution group Hays. Page 14; Lex, Page 10

Cordiant returns to the black
Cordiant, the advertising group, beat expectations when it turned 1995 first-half losses of £29.6m into pre-tax profits of £15.5m ($24.2m) this year. But it warned the second half would be weaker. Page 14

Zeneca rises 21% to top of forecasts
Zeneca, the UK's third largest drugs company, published results for the first half of 1996 at the top of analysts' forecasts but warned that profit margins were being hurt by heavy spending on new product launches. Pre-tax profits were 21 per cent up at £610m ($952m). Page 14; Lex, Page 10

Newfoundland agrees oil project
Newfoundland has reached agreement with a consortium led by Calgary-based Petro-Canada on arrangements for developing Canada's second offshore oilfield – Terra Nova – which is due to come on stream in 2001. Page 18

Companies in this issue

Market Statistics

http://www.FT.com

Chief price changes yesterday

FRANKFURT (DM)			
Rises			
Bil & Berg	589	+	15
GEHE	93.3	+	6.3
MAN	395.5	+	6.5
VEW	480	+	25
Falls			
Linde	921	–	5.5
Varta	290	–	10
NEW YORK ($)			
Rises			
Humana Inc	19	+	1⅛
Security Cons	29⅛	+	1½
Waters Corp	31⅞	+	1¾
Falls			
Belco Oil	21⅛	–	2⅞
Hormel Foods	20	–	1⅛
Wallace Cmptr	27½	–	2⅞
LONDON (Pence)			
Rises			
Boosey & Hwks	718	+	53
Filtronic Cmlk	230	+	34
[illegible]	335	+	35
Yorkshire Chem	275	+	27
Falls			
Aberdeen Sth	80	–	10
Salvesen (C)	304½	–	46½
TORONTO (C$)			
Rises			
Euro Nevada	38.6	+	1.3
Geac Computer	17.8	+	0.8
Golden Star	25.7	+	3.65
Falls			
Eh Eco Lgc	11.0	–	1.4
Hyal Pharm	7.05	–	2.45
Sth Westn Gld	23.05	–	1.45
PARIS (FFr)			
Rises			
UIC	730	+	22
Ecco	1211	+	35
Falls			
Air Liquide	873	–	7
Alcatel	403	–	11.5
Imetal	713	–	13
UAP	101.6	–	7.3
TOKYO (Yen)			
Rises			
Kanematsu	619	+	16
Falls			
Fuji Spinning	511	–	24
Daiden	766	–	25
Kyowa Hakko	985	–	33
Nisshin Oil	541	–	29
Tokyo Rope	515	–	28
HONG KONG (HK$)			
Rises			
HSBC Hldgs	32.5	+	4.5
Shanghai Ind	12.9	+	0.5
Tembcay Ind	15.8	+	0.8
Falls			
China Res	6.4	–	0.2
Giordano Intl	6.6	–	0.3
Ngai Hing Hong	3.825	–	0.32
BANGKOK (Baht)			
Rises			
Karat Sanit	77.0	+	7.0
Thai Rayon	143.0	+	13.0
Thoresen Thai	93.0	+	12.8
Falls			
Central Pat	108.0	–	6.0
Hand Thai	57.5	–	5.0
PCM Precast	93.0	–	4.5

New York and Toronto prices at 12.30pm.

Barclays in £470m share buy-back

By George Graham, Banking Correspondent

Barclays, the UK bank, swooped on the stock market yesterday for the third time in a year, paying £470m ($728m) to buy back 55m of its own shares.

The buy-back caps a £450m share repurchase last week by National Westminster Bank, Barclays' arch-rival in the UK banking market, and followed the announcement yesterday of a 15 per cent increase in pre-tax profits to £1.3bn.

Healthy profits over the last three years have encouraged banks in the UK and the US to return some of their surplus capital to shareholders, both through higher dividends and, increasingly, by buying back and cancelling their shares.

Barclays has now spent £956m over the last 12 months to buy back shares, reducing its equity capital by about 7 per cent. But Mr Martin Taylor, Barclays' chief executive, said the purpose of the buy-backs was not just to return cash to shareholders, but to make sure the bank treated its capital as a precious commodity not to be squandered on foolish acquisitions or risky loans. "They force choices. They stop us doing marginal low return business – and there is plenty around if you want to do it."

Despite the buy-back, Barclays remains comfortably capitalised. At the end of June, its Tier 1 capital ratio stood at 7.3 per cent, well above the norm for large international banks of about 6.5 per cent.

The cancellation of the 55m shares bought yesterday would reduce the ratio by about 0.4 percentage points, but retained profits will still leave the bank with a solid capital cushion.

Over the last three years, Barclays has been cutting back on its lending after suffering heavy losses in 1992. But the bank has greatly improved the profitability of its reduced balance sheet, and in the first six months of this year produced a return on its shareholders' equity of 24.6 per cent.

Operating profit before provisions improved by 15 per cent to £1.37bn in the first half.

Most of the operating profits came from its UK personal and small business banking operations, but Mr Taylor said BZW, Barclays' investment banking subsidiary, remained an integral part of the group. "I can't think why people still imagine that we want to demerge BZW," he said.

Lex, Page 10

BP lifts dividend 18% after record first six months

By Robert Corzine in London

British Petroleum, the UK oil group, yesterday announced an 18 per cent dividend rise after reporting record first-half, pre-exceptional profits of £1.28bn ($2bn), a 23 per cent increase over the first half of 1995.

BP's decision to raise the second-quarter payout to a record 5p a share came four years after it halved the dividend to 2.1p as part of a boardroom crisis precipitated by a growing debt burden.

Mr John Browne, BP's chief executive, said the new dividend was "sustainable, and would be good for all seasons" irrespective of volatile external factors such as oil prices and refining margins.

Second-quarter replacement cost profits, which strip out the effects of oil price changes, were also up 23 per cent to £646m, towards the top of the range of analysts' forecasts.

Sir David Simon, BP's chairman, yesterday confirmed that debt control remained a company priority. The board did not consider a share buy-back in spite of strong cash flows because it wanted to reduce debt levels further.

A $1bn bond repurchase programme in June helped to cut net debt to $6.7bn, the lowest level in 10 years. Gearing was about 36 per cent, according to Mr Steve Ahearne, finance director, from 46 per cent last year and a high of 104 per cent in 1992.

A growing confidence in BP's medium-term prospects was behind the dividend decision, said Sir David.

Both he and Mr Browne noted that external factors, such as this year's relatively firm oil price, played little part in the strong profits growth, although analysts said that fully 70 per cent of BP's profits were derived from the upstream division, one of the highest exposures of any of the large oil groups.

However, executives were upbeat about being able to maintain volumes and margins even if oil prices tumble. First-half production of oil and natural gas was up 5 per cent, with operating profits of £1.48bn up 34 per cent. Output for the full year should rise 3-4 per cent, said Mr Browne, well above BP's 2 per cent target.

Downstream earnings recovered from last year's poor performance as refining margins strengthened. Operating profits for the first half were £365m, a 40 per cent rise over 1995.

The recovery occurred in spite of the retail petrol price war in the UK which cost BP £48m in lost revenues in the first half. However, BP executives found something to cheer about even in that disappointing number, and noted that margins were creeping back towards breakeven.

The margins in BP's chemicals businesses fell back sharply from the "unsustainable" levels seen last year. First-half profits fell from £502 last time to £242m, with the deterioration continuing into the second quarter, when profits fell to £114m from £128m in the first three months of the year.

The outlook for the rest of the year was "broadly neutral," with the "one big wildcard" being the cost of feedstock.

Joe Henderson, whose reed maker, Rico, was acquired yesterday by Boosey & Hawkes of the UK for £17.9m ($27.9m) lines up alongside Bill Clinton Report, Page 14

KLM slides in first term

By Simon Kuper in Amsterdam

Shares in KLM Royal Dutch Airlines fell more than 8 per cent to Fl 51.30 after the airline reported first-quarter operating profits halved from Fl 164m to Fl 80m ($50m).

It blamed lower fares, a weak cargo market and higher costs for the results for the quarter to June, which were at the bottom end of analysts' forecasts. Mr Piet Bouw, president, told the annual meeting: "We worry about this."

Net profits for the first quarter of 1996-97 doubled to Fl 271m (Fl 136m) thanks to an exceptional gain of Fl 179m from the buy-back by KLM's partner Northwest Airlines, the US carrier, of 3,691 non-voting A preference shares and the revaluation of KLM's remaining stake in that category.

KLM still has a 23 per cent stake in the carrier, with 19 per cent of voting rights. It has quarrelled with Northwest since November over the US airline's moves to prevent KLM from gaining control.

Mr Bouw said: "This preferred stock was always intended by KLM as purely a financial investment, since no voting or other corporate governance rights were attached." KLM will book a further profit of Fl 115m in the second quarter from the sale of 2,963 B preference shares to Northwest and a revaluation of its remaining holding in this category.

The airline forecast that its operating profit for the rest of the year would be "slightly below" the same period of the year before. But net profit would be "in the same order of magnitude" as last year.

Operating revenues rose 6 per cent to Fl 2.45bn, and earnings per share doubled to Fl 2.94 (Fl 1.48). Operating costs rose 11 per cent to Fl 2.37bn. Cargo traffic grew just 2 per cent while capacity rose 8 per cent, reducing yields. Passenger traffic grew 10 per cent, but fares fell 3 per cent.

"We expect fares to stay under pressure. That's a problem with the market," the airline said. Mr Bouw blamed the rise of "low-cost, no-frills carriers". This made cost-cuts "essential". But unit costs rose 4 per cent in the first quarter. Mr Bouw said the airline's investment plans could cause further increases this year.

KLM aims to reduce expenses by at least Fl 300m over the next two years. However, Mr Guy Kekwick, analyst at Lehman Brothers, said big cuts could be hard to achieve as KLM was already a low-cost carrier.

GM plans mid-size Saturn model

By Richard Tomkins in New York

General Motors, the biggest US car manufacturer, yesterday announced plans to expand its Saturn car unit in the US by launching a mid-size model to add to the existing range of smaller Saturn vehicles.

It will be built at GM's Wilmington plant in Delaware after production of the Chevrolet Malibu ceases in about two years. Until yesterday, the plant had looked likely to close at that point.

The move was warmly welcomed by the United Auto Workers union, which said it would provide security for its 2,600 members at Wilmington well into the 21st century.

Since Saturn was set up by GM as a stand-alone unit in 1990, it has had considerable success with its three models: a small saloon car, a coupé and a station wagon, ranging in price from $12,000 to $18,500.

Saturn turns out about 300,000 vehicles a year from a plant in Tennessee but says it could sell more if it had the capacity to make them.

One distinguishing characteristic of the company is its policy of promising no-haggle prices for its vehicles, which attracts customers fed up with bargaining.

Many buyers are young people, and according to GM about seven out of 10 would otherwise have bought imported vehicles. "This is conquest business for GM," the company said.

GM hopes the larger model will prevent existing customers from switching to other makes when they start trading up to larger vehicles. As with the smaller Saturns, it believes many purchases will be by people who would otherwise have bought imports.

The new Saturn will use a 2.2-litre dual overhead camshaft engine produced at the GM Powertrain division's engine plant in Tonawanda, New York. It will share some design features with the Opel Vectra car made in Europe by GM's Adam Opel division.

Saturn said the design had been seen by hundreds of Saturn owners and had been well received. It declined to cite a price range for the new vehicle for competitive reasons.

Barry Riley

UK pension funds stand by their principles

Originally, it was the prospect of a minimum solvency standard, as proposed by the Goode Committee, that caused British pension funds to fret about the implications for investment of last year's Pensions Act. But that danger faded with the downgrading of the standard, under actuarial pressure, to a so-called Minimum Funding Requirement.

A new investment challenge, however, has sneaked up more or less on the inside. It is the Statement of Investment Principles, a document which must be drawn up by the trustees under Section 35 of the Act and reviewed every year. These statements must be ready by April next year.

A recent survey of 20 or so pension funds – average size more than £2bn – by consultants Frank Russell showed three-quarters believed the Sip would have more impact than the MFR on the way UK pension schemes are invested. Most respondents accepted trustees would feel obliged to take the strategic asset allocation decision themselves.

However, a third of the pension fund executives thought optimistically that the statement of principles could be written on a single page. Nearly all believed four pages or less would be enough. Frank Russell thinks that there is a lack of realism here, probably due to the fact that many Sips are not yet even at the first stage of drafting. But then, did a consultant ever recommend a short and simple document when a long and complicated one would do?

The original scare over minimum solvency reflected concern that many pension funds would switch money into bonds, adding substantially to the likely cost of providing benefits in the long run.

Although the MFR remains quite tough on mature schemes – most UK plans are quite mature, with an average 55 per cent of liabilities related to pensions in payment and deferred pensions – the impact has been blunted by concessions in the final regulations laid before Parliament.

For instance, it will be possible for troubled funds to negotiate with the pensions regulator Opra on an individual basis for time extensions. Moreover, the doomsday threat of widespread MFR breaches at the time of a 1974-style stock market disaster has been lifted because Opra will be able to give blanket approval for compliance extensions in such exceptional circumstances, thus in effect letting everybody off the hook until the good times are back.

> Trustees may have some delicate decisions about the employer's creditworthiness

All the same, compliance with the MFR will be an important subject to be dealt with in the Statement of Investment Principles. The trustees may have to make some delicate decisions about the creditworthiness of the employer; the MFR is only a problem if the plan sponsor is unable or unwilling to pay up and plug the deficiency at the critical moment.

The central question, though, is whether British pension funds will finally be forced to face up squarely to the maturity issue. Asset allocation still almost always relates more to the median peer group strategy than to the specific liability structure of an individual scheme.

In the past, trustees have rarely felt qualified to take their own decisions. Now they must take final responsibility, although after advice from investment professionals. They must consult the employer but the decision is theirs.

The employers, for cost reasons, will not usually want to see the aggressive equity-oriented strategies changed, but they will recognise that there is a new, if modest, MFR risk and in any case there is the maturity problem.

It looks like a promising situation for consultants. The likely outcome is that more plans will move away from discretionary balanced management, which has been an almost unique feature of the UK pensions industry, and will introduce specific benchmarks. Big managers have been anticipating this trend and have restructured to meet it. All the same, smaller specialist managers will calculate they can only gain out of the shift.

And the UK Treasury will doubtless calculate that pension funds will be bigger buyers of gilts than in the past.

Barry Riley will resume this column on September 18

Details of CIC sale released

By Andrew Jack in Paris

The purchaser of CIC, the French bank being privatised, will be forced to respect non-life as well as life assurance agreements signed with its parent GAN, the state-controlled insurer, according to terms of the sale released yesterday.

The government is willing to accept a single investor or a group of investors which between them would control at least 50 per cent of the bank's capital, the formal offer document produced by the ministry of economics and finance stipulates.

Under plans announced last week, the state will sell 67 per cent of the shares in CIC, France's fifth-largest commercial bank, leaving GAN with 26.09 per cent of the capital and 27.06 per cent of the voting rights.

No formal valuation has been placed on the bank, but estimates have suggested that it is worth FFr13bn-FFr14bn ($2.6bn-$2.8bn).

The conditions of the sale stress that – in line with the wishes of GAN – the terms already set down for the sale of GAN's life assurance products through CIC branches must be respected. These generated revenues of FFr8.6bn last year.

But they also state that a recent contract signed between GAN and CIC for the sale of non-life insurance – in line with a trend of similar "bancassurance" alliances between banks and insurers in France – must also be respected.

The accord also hints that a buyer will be asked to respect the existing identity of CIC as a group of decentralised regional banks, although the conditions are less explicit.

The document asks prospective buyers to express their intentions on the possible opening of the share capital of the regional banks within the CIC group to local buyers. They are also requested to lay out the possibility of employee share ownership, future bancassurance projects, and how they will finance the acquisition of CIC's shares.

Buyers must be banks, financial institutions, insurers or holding companies with a minimum share capital of FFr10bn. There are believed to be eight or nine institutions currently seriously interested.

Sensitive financial information on the group will be available in mid-September to those potential buyers signing a confidentiality agreement. Bids must be received by 7 October, paving the way for a sale before the end of the year.

Strategy pays off for Securum

'Bad bank' leads recovery in Stockholm's property market

A year or two ago, few investors dared touch Swedish property companies. Many vowed never to return after the events of the early 1990s, when a property loan-loss crisis precipitated the near-collapse of the country's banking system.

The crash in property values sent prices of commercial premises in metropolitan areas plunging by 50 per cent and rents by a third. Burdened by debt and stiffer lending rules belatedly introduced by the banks, the sector struggled to keep afloat. One in ten of Sweden's private property owners went bankrupt between 1991 and 1994.

Now, with interest rates almost half the levels of three years ago and occupancy rates improving, a tentative recovery is taking hold, at least in metropolitan areas.

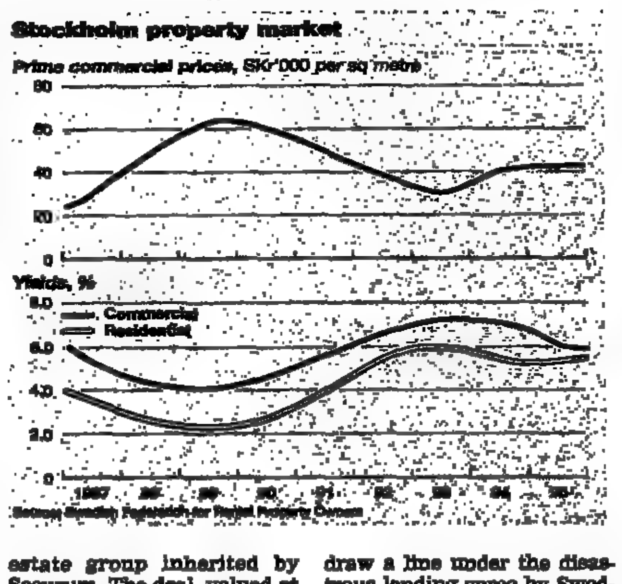
In Stockholm's so-called "golden triangle", home to some of the city's most fashionable addresses and regarded as a barometer of market confidence, rents have risen from a nadir of SKr2,000 per square metre to more than SKr3,000. Although still below the SKr4,000 peak, reached at the height of the late-1980s boom, the revival indicates the market has regained stability, analysts say.

"Most people thought it would take at least 10 years for the depression in the industry to lift, but it has recovered far quicker," says Ms Christina Gustafsson, real estate economist at the Swedish Federation for Rental Property Owners. She identifies the determination of large asset managers to resist property "fire sales", coupled with lower interest rates, as important factors driving the resurgence.

Much credit has gone to Securum, the "bad bank" formed by the state in 1992 to unwind SKr75bn ($11.34bn) in sour loans – most linked to real estate – from Nordbanken and the now-defunct Gota Bank.

Securum's technique has been to capitalise its assets, install management briefed to add value, and then await suitable market conditions before offloading. The strategy has paid off. Securum has so far clawed back SKr40bn through gradual disposals, rather than flooding a fragile market with unattractive properties. It is on course to return about SKr11bn of the SKr24bn equity initially pumped into it by taxpayers.

That the market has settled was confirmed last month when Morgan Stanley, the US merchant bank, took a 60 per cent stake in Castellum, a Swedish real estate group inherited by Securum. The deal, valued at around SKr2bn, represents the first significant foreign incursion into the domestic property sector since the crisis.



The move belied consistently poor returns from real estate stocks. The sector has underperformed the Affärsvärlden index by 20 per cent over the past 18 months, but analysts predict an upswing. "Interest in real estate stocks has really gone up in recent weeks," says one Stockholm-based property market analyst, who points to the revival of prices in the capital.

One sign of returning health was the stock market debuts of Tornet and Näckebro, property companies spun off in recent months to shareholders by Swedbank and Handelsbanken, respectively. The two companies, holding combined property portfolios of more than SKr15.4bn, have seen their share prices rise sharply. Näckebro's stock has surged 15 per cent and Tornet's has gained 14 per cent.

The spin-offs will be complemented by the listing in late September of shares in Diligentia, the property unit of Skandinaviska Enskilda Banken. Bank executives hope the launch will help draw a line under the disastrous lending spree by Swedish banks that fuelled the property crash.

After several years of heavy losses, all the leading banks have returned to profit. Mr Björn Westberg, senior vice-president at Nordbanken, says: "The banks have good capital ratios and their capital base is growing. All have been able to divest their properties and concentrate on banking, which is what they are there for."

But as the drain of the banks' property engagements fades from their balance sheets, problems persist in the market. Real estate yields, at around 5.5 per cent, remain low and continue to restrain transaction volume. Vacancy levels have dipped below 10 per cent in Stockholm, but are still around 15 per cent outside the big cities. New commercial facilities are also in short supply.

Mr Leif Vindevag, head of research at the Stockholm bourse, says an upturn in general economic activity is needed to lift demand and return the sector to normality. "Landlords have taken a terrible beating, and we are not exactly seeing a stampede in demand. We are far from out of the woods yet."

Greg McIvor

NEWS DIGEST

Losses widen for Austrian carriers

Austrian Airlines (AUA) and Lauda Air, the two largest Austrian carriers, yesterday reported heavy losses for their first half, but both predicted an improvement in the rest of the year.

AUA's pre-tax loss widened to Sch313m ($30m) in the first six months, from Sch141.5 a year earlier. Lauda Air had a pre-tax loss of Sch165.6m in the period from November to April, compared with Sch74m a year before. Both airlines suffered from downward pressure on ticket prices. The two airlines, who had been tough competitors for many years, have recently begun to co-operate on several routes.

Mr Herbert Bammer, AUA chairman, said he still expected to post a profit for the full year. He cited strong business in the summer months and AUA's continuing cost-cutting efforts. Earlier this year, the airline reversed its previous expansion and cut a number of unprofitable routes in Europe.

Lauda Air, which is 40 per cent owned by Lufthansa, the German airline, said it was aiming for an unchanged profit for the full fiscal year. In fiscal 1995, the airline had net income of Sch47m. *Eric Frey, Vienna*

Wolters Kluwer upbeat

Wolters Kluwer, the Dutch legal, tax and business publisher, beat market forecasts with a 1 per cent rise in net profits to Fl 202m ($19.37m) for the first half of 1996 from Fl 200m a year earlier. Its shares rose more than 5 per cent to a record Fl 205, helped by the group's optimism about the full year.

Wolters Kluwer said in January that first-half profits might fall following its $1.9bn acquisition of CCH. This was because the US tax and legal publisher traditionally gained most of its sales in the autumn.

But both CCH and existing businesses had performed better than expected. Sales rose 48 per cent to Fl 2.02bn, while operating profits rose 49 per cent to Fl 408m. CCH contributed most of the growth. A goodwill write-off, interest charges and a higher tax charge limited the rise in net profits.

Fully diluted earnings per share were unchanged at Fl 2.97. The group said that for the full year a rise in earnings of nearly 5 per cent was "deemed possible", higher than previously forecast. Wolters Kluwer, well known for steady double-digit profit growth, aims for an average earnings increase of at least 15 per cent a year from 1997 to 1999. *Simon Kuper, Amsterdam*

Turnover slips at AGF

Assurances Générales de France, the recently privatised insurer, yesterday reported turnover down 17.5 per cent to FFr33.6bn ($6.67bn) for the six months to June 30, but up 5.2 per cent on a comparable basis. Income from insurance activities outside France fell by 25.3 per cent, and from reassurance by 40 per cent. Life assurance income in France fell 19.2 per cent, and non-life by 3.7 per cent. Credit assurance income rose 13.3 per cent. *Andrew Jack, Paris*

Saint-Gobain sales advance

Saint-Gobain, the French glass, ceramics and insulation group, said sales totalled FFr40bn ($7.94bn) in the first half of the year, up 14.4 per cent compared with the same period in 1995. Saint-Gobain said the increase in sales during the period was due to the integration of acquisitions in the ceramics, abrasives and glass packing sectors.

Sales rose more than 10 per cent in the UK and in North and South America, but were "average" in France and Spain and lower in Germany and Benelux countries, the company said. Full results for the half are expected to be released in mid-September. *AFX News, Paris*

AECI disappointed

AECI, the South African chemicals group, said it expected a better second half after reporting disappointing first-half earnings of 79 cents a share in the six months to June, down from 94 cents a year ago. The first quarter had seen an "unexpectedly sharp drop" in local demand in most sectors, other than mining and agriculture. Inventory cuts by customers and high illegal imports in some areas took their toll, while sales to the beverage and construction sectors were hit by the abnormal summer rains.

However, trading conditions improved considerably in the second quarter with demand picking up and some costs declining, and AECI said the improving trend had continued in July. *Reuter, Johannesburg*

Long winter hits Wienerberger

By William Hall in Zurich

Wienerberger, the rapidly growing Austrian building materials company that claims to be the world's biggest brickmaker, has suffered its first profits setback in five years.

Pre-tax profits in the first six months of 1996 fell by 17 per cent to Sch556m ($53.3m) primarily due to the longer-than-expected winter, which led to a substantial drop in brick demand in Germany and Austria, the company's two biggest markets.

The cold weather in central Europe lasted more than a month longer than it did last year. This, combined with a general weakening of the construction industry in western Europe, led to a sharp downturn in the profitability of Wienerberger's core brick businesses.

However, the impact was partially offset by this year's purchase of Terca, Belgium's biggest brickmaker, and last year's acquisition of Sturm, a French construction materials company. As a result group sales in the first half of 1996 rose by 10 per cent to Sch7.1bn, and Terca contributed Sch207m to first-half profits. Without Terca, Wienerberger's profits would have fallen by 47 per cent.

Wienerberger was a pure Austrian construction company until 10 years ago. Since then it has grown from a business with 15 plants to one with 158 plants in 21 countries. More than 80 per cent of its sales come from its international business and its name has often been mentioned in the UK as a possible predator. It tried to buy the brick units of Christian Salvesen and Redland.

The company says it does not expect the economic climate to improve in the second half of 1996. However, it expects full-year sales to rise by some 16 per cent to Sch15bn and remains confident that it can meet its earnings target of Sch1.4bn.

Wienerberger's shares fell Sch25 to a new low for the year of Sch1,895 yesterday. Mr Fritz Schweiger, of Investmentbank Austria, has trimmed his full-year estimates of Wienerberger's earnings per share from Sch126 to a shade under Sch120. This compares with Sch168 in 1995.

Westinghouse warns of further profit weakness

By Richard Watersin New York

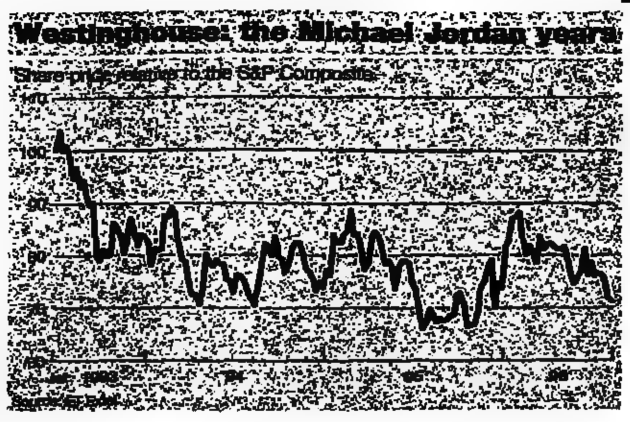
Westinghouse Electric, the US industrial conglomerate in the throes of transforming into a media company, yesterday posted a second-quarter operating profit of just \$27m. It also warned of worse to come for the third three months of the year.

The warning suggests Mr Michael Jordan, Westinghouse chairman, will need more time to make the group's \$5bn acquisition of the CBS television network pay off, and comes at a time when the new media groups formed by recent mergers have fallen out of favour on Wall Street.

Westinghouse shares, which had already dropped 20 per cent after a rally early this year, fell another \$¼ yesterday morning, to \$16⅝.

Profits in the third quarter will be down because of what the company termed "weakness at the CBS network", as well as continuing soft demand for servicing business in its energy systems unit.

CBS has seen a sharp fall in the past two years in its share of the prime-time television audience, and will launch an ambitious new season of programmes this autumn in an attempt to win back viewers. In the meantime, though, it will suffer a poor summer, which the company blamed in part on audience lost to the Olympics on the rival NBC network and to higher costs from covering the presidential conventions.



Michael Jordan: worse to come in third quarter

Meanwhile, Westinghouse's plans to squeeze more cash out of the television stations it assumed with the CBS acquisition have failed to yield results. Station income was down as a result of the lower network ratings and changes in station affiliations late in the year, the company said.

Overall, the stations generated operating cash flow of \$101m on sales of \$226m during the quarter. The CBS network reported cash flow of \$107m on sales of \$681m, and the group's radio stations returned cash flow of \$55m on sales of \$145m.

On a pro-forma basis, Westinghouse said combined sales from the network and broadcasting operations rose 3 per cent from a year before, to \$1.1bn, while cash flow rose 8 per cent.

Westinghouse's industrial operations, meanwhile, suffered a 60 per cent fall in operating earnings, to \$24m, as sales slipped 3 per cent to \$1.1bn. This was blamed on lower revenues in the energy systems and Thermo King refrigerated transport units.

The company reported an after-tax loss of \$89m, or 20 cents a share, for the period, on revenues of \$2.2bn. This includes a one-off charge of \$116m to cover environmental remediation costs. Comparisons with the previous year were rendered meaningless by the CBS acquisition.

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NEWS DIGEST

Moore abandons bid for Wallace

Moore Corporation, the Toronto-based information handling group, has abandoned its year-long pursuit of Wallace Computer Services of Chicago. Moore's failure to push through its US\$1.4bn bid is likely to be remembered as an example of a takeover target's ability to employ a "just-do-nothing" defence against an unwelcome predator.

Although Wallace is widely-owned, Moore was unable to gain sufficient support at the US company's annual meeting last December to dissolve its poison pill anti-takeover defences. But Moore also came in for strong criticism yesterday for giving up the chase. Several investment managers predicted it would eventually have succeeded if it had been willing to raise its bid and press ahead with efforts to gain control of Wallace's board.

Wallace shares tumbled \$4.13 to \$26.25 in early New York trading. Moore's latest bid was \$30 a share, allowing for Wallace's recent two-for-one share split. Moore's stock was unchanged at \$17.25. *Bernard Simon, Toronto*

Crosby Financial capital plans

Crosby Financial Holdings, the Asian merchant bank group, plans to increase its capital base and reshuffle management, following a series of departures at its stockbroking arm. The group is to raise its capital base more than four-fold, from US\$46m to US\$200m, to explore opportunities in the region. *Louise Lucas, Hong Kong*

ASX listing for Hoyts

Hoyts Cinemas, the Australian-based cinema operator in which Hellman & Friedman, the US investment firm, has a large stake, is to raise A\$100m of new capital and list on the Australian Stock Exchange. The new shares will represent about 22.5 per cent of Hoyts' market capital and will be issued at A\$2 each. At that price, the company will be capitalised at around A\$440m (US\$340.1m). *Nikki Tait*

Pacific Dunlop downgrade

Moody's, the US rating agency, has downgraded the long-term debt rating of Pacific Dunlop, the Australian conglomerate, from A1 to A2. It said the decision reflected "significant deterioration in Pacific Dunlop's recent operating results" and a belief that "performance is unlikely to improve materially in the near-term". *Nikki Tait*

Renison wins Cudgen control

Renison Gold Fields, the Australian mining group in which the UK's Hanson has a 40 per cent interest, has won control of Cudgen, the listed group whose main asset is a controlling stake in Consolidated Rutile, one of the world's largest producers of mineral sands. RGF, which had launched an A\$80m bid for Cudgen, said it now held 50.4 per cent of its target. *Nikki Tait*

YPF, Petrobrás agree project

YPF, Argentina's privatised oil and gas company, and Petrobrás, Brazil's state-owned hydrocarbons monopoly, have signed a letter of intent to build a \$450m gas-separation plant in the southern Argentine province of Neuquén. The agreement is by far the biggest under a strategic alliance between the groups. *David Pilling, Buenos Aires*

Giordano plans to set up chain of stores in Beijing

By Louise Lucas in Hong Kong

Giordano International, the Hong Kong-based Asian fashion retailer, plans to set up a chain of stores in Beijing – two years after problems in China resulted in the closure of 30 outlets there.

The Chinese authorities closed Giordano's outlets in Beijing in August 1994, shortly after Mr Jimmy Lai, the company's founder and then-chairman, made a virulent attack on premier Li Peng in his mass circulation Next magazine.

Mr Lai subsequently stepped down and sold most of his shares in the company.

Giordano has been talking to two parties – one of which is understood to be China's Ministry of Agriculture – but is also considering going it alone.

Mr Jimmy Chan, Giordano executive director, expects the new Beijing retail venture to be in operation this year.

The group yesterday disappointed the market by announcing static first-half net profits of HK\$110.08m (US\$14.2m), compared with HK\$109.2m in the first six months of last year.

The weak interim results were blamed on "unprecedented" difficult conditions in several important markets.

In Taiwan, where the strained relationship with China hit sentiment, retail sales dropped 18.8 per cent compared with the same period last year, to HK\$473.6m.

However, in China, where the 11 franchised stores have been closed since March, retail sales for the first six months stood at HK\$271.5m, an increase of 28.4 per cent over the year-ago figure.

In 1995, Taiwan accounted for 30.5 per cent of turnover and China, 15.2 per cent.

Operating profit fell 6.4 per cent from HK\$131.87m to HK\$123.4m as margins contracted, and earnings per share dropped 9.7 per cent from 17.22 cents to 15.54 cents.

The interim dividend is to be held at 4.5 cents.

The group claims to have learned lessons in the first half, and expects the second six months to be "much better".

Newcrest liquidates hedging contracts

By Nikki Tait in Sydney

Newcrest Mining, the Australian gold mining group which tried unsuccessfully to merge with Normandy Mining earlier this year, said yesterday it had liquidated the bulk of its gold-hedging position for a pre-tax profit of A\$270m (US\$209m).

The company said the liquidation involved contracts covering 2m ounces of gold. Contracts over 465,000 ounces in the 1996-97 financial year will be retained, as will contracts for a further 240,000 ounces for the period from 1998-99 to 2002-03.

The company conceded the profit realised would be offset in part by lower returns in the future. "Realisation of these hedging gains means that future years' income and cash flow are unlikely to realise the relatively high prices for gold that were contained in the hedging position," it said.

But Newcrest added that earnings after 1997 should benefit from new, lower-cost gold output from its planned Cadia mine in New South Wales, and the Gosowong project in Indonesia.

Newcrest's finances have been under pressure ever since the company's ill-fated involvement with Normandy earlier this year.

Normandy, a larger Australian mining group, was in the process of merging with three companies in which it already held stakes. Newcrest snapped up a 14.9 per cent stake in Normandy, and 12.5 per cent of PosGold, one of the companies involved, and tried to join the merger plan – only to be rebuffed.

These stakes cost Newcrest around A\$450m – a large outlay for a company whose pre-tax profit in the first nine months of 1995-96 was A\$29.9m. Since the Normandy talks foundered, Newcrest has consistently shown a large loss on these holdings, although it said yesterday the deficit had fallen to less than A\$50m.

Asked if the liquidation would have been carried out if the Normandy problem had not occurred, Mr Gary Scanlan, Newcrest's finance director, replied that it was "a sensible decision to take in any case".

He pointed out that there had been a "confluence" of favourable movements – including in interest rates and the dollar exchange rate – which had "put a lot of value into our hedge position which we thought it was sensible to crystallise".

Newcrest added that it planned to retain the Normandy stake until "more favourable market conditions provide for an orderly exit of the stock".

Smart plans Manila listing in final quarter

By Edward Luce in Manila

Smart Communications, the Philippines' second largest telecoms company, yesterday said it would list on the Philippine Stock Exchange in the final quarter of 1996, in what would probably be the largest initial public offering in Manila this year.

The announcement – which follows plans by Digital, owned by Cable & Wireless of the UK and a local partner, to list on the PSE, also in the final quarter – has been taken as further evidence of the increasing competitiveness of the recently liberalised Philippines telecoms market.

Globe Telecom (a joint venture between Ayala Land, a local real estate group, and Singapore Telecom) and Piltel (a cellular operator part-owned by the Philippine Long Distance Telephone Company) have already listed on the PSE.

Smart's IPO, which is expected to raise between US\$400m and US\$500m, will be lead-managed by Merrill Lynch and Jardine Fleming. Smart, which has a book value of US\$2bn, posted an operating profit of just over 100m pesos (US\$4m) in 1995, its second year of operations.

"Clearly the majority of telecoms companies are going to list over the next two years, with Smart the biggest so far," said Mr Alex Pomento, chief of research at ING Barings in Manila. "The cash will be raised for Smart's high capital expenditure requirements."

In exchange for its international gateway and mobile phone operating licence, Smart – a joint venture between Metro Pacific, the local arm of Hong Kong-based First Pacific, and NTT of Japan – is required by the government to install 700,000 fixed landlines in the Philippines.

The company, which has not yet specified an offer price, is the second largest cellular operator in the Philippines, after Piltel, and expectes to have 250,000 subscribers by the end of the year.

Smart is allowed to compete with PLDT on fixed lines in its licensed area, in the south of Manila. This includes the 214 ha Fort Bonifacio site, partly owned by Smart's parent company, Metro Pacific, which is being developed as a "21st century" competitor to Manila's business district.

The Bonifacio Land Corporation, jointly owned by the government and the 17-member private-sector consortium led by Metro Pacific, says it is studying the possibility of listing on the PSE in 1997. Proceeds from the offering, which analysts say would come to a minimum of US\$800m, would go towards the venture's high capital costs over the 25-year development period.

Indonesian cement group lifted by surge in demand

By Manuela Saragosa in Jakarta

Net profit at Semen Gresik, the state-controlled Indonesian cement producer, more than doubled in the first six months of this year after an unexpected surge in demand.

The company posted a net profit of Rp115.65bn (\$49m) in the first six months of 1996, against Rp47.06bn in the same period last year. First-half sales totalled Rp631.7bn, compared with Rp245bn in the first six months of 1995.

Analysts said strong demand for cement in the second quarter allowed the company to increase its average selling price by 9 per cent. Sales volume in the second quarter was up 8 per cent on the first quarter. Cement demand in this period is usually sluggish, as construction slows during the rainy season. Most of the demand is believed to have come from the island of Sumatra, where Semen Pedang, a company which Semen Gresik acquired last October, is believed to have captured new market share.

Analysts at HG Asia in Jakarta noted that the company was able to introduce a price increase of just over 1 per cent in the first quarter and increase sales volume by 8 per cent, even though total cement consumption in Indonesia in that period shrank 2.2 per cent.

At Jardine Fleming Nusantara in Jakarta, analysts said the market tended to underestimate growth in cement demand and overestimate new supply. Demand forecasts for 1997 are generally sluggish because the government is expected to keep a tight rein on spending. However, some analysts note that the government traditionally eases monetary policy ahead of general elections – scheduled for early next year – and that this may boost cement demand.

● The Indonesian government expects to separate Merpati Nusantara Airlines from its parent flag carrier Garuda Indonesia before the end of this year – a move which should pave the way for Garuda's privatisation.

A separation of the two companies has been delayed repeatedly since 1993 because of differences in the asset inventories of the airlines. The two airlines are reported to have claimed millions of dollars in credits against each other, and many of these claims overlapped.

Mr Haryanto Dhanutirto, the Indonesian minister of transport, was quoted in the English-language Jakarta Post newspaper as saying that documents to proceed with the separation of the two companies have been submitted to the state secretariat and are waiting for President Suharto's approval.

Earlier this year Garuda said the national airline would be privatised in 1998 after it had restructured its finances. The Indonesia government has agreed to take on debts for Garuda's acquisition of nine Boeing aircraft.

Safety Net for commerce closer

Microsoft-VeriFone deal should simplify electronic retailing

Making the Internet safe for commercial transactions has come closer to reality with an agreement between Microsoft and VeriFone, a leading electronic payment system company, in which VeriFone software will be used in Microsoft's Internet commerce software.

The deal, announced this week, should make it simpler for retailers to take orders from customers electronically while avoiding the security problems of sending credit card information over the Internet, where it could be intercepted.

Microsoft said it would include VeriFone's virtual point of sale (vPOS) software in its Microsoft Merchant System, which will be available by the end of this year.

In addition to Microsoft, VeriFone has support for vPOS from other leading software companies, including Oracle and Netscape Communications, the developer of the popular Netscape Navigator Web browser.

Microsoft's adoption of VeriFone's technology is seen as an important factor in helping to establish a single industry standard and in convincing retailers, banks and consumers that Internet commerce is a secure and reliable way to do business.

"The Microsoft-VeriFone deal is an important step forward for Internet commerce," says Ms Phoebe Simpson, an analyst at Jupiter Communications, a US market research group. "Microsoft is a trusted name among merchants and VeriFone has good relations with merchants and banks."

VeriFone's electronic credit-card readers are used by more than 5m retailers worldwide, and it views Internet commerce as a natural extension of its business. Its vPOS software protects credit-card information sent over the Internet through a combination of encryption and customer verification technology based on the secure electronic transaction (SET) standard.

But for VeriFone to succeed, Ms Simpson points out that banks must purchase the vGATE software from VeriFone to enable them to handle credit card transactions made over the Internet. In most cases, vGATE has to be tailored to the different computer systems used by banks. This represents a large investment by banks in the purchase of vGATE and in making it work with their computers.

VeriFone believes that banks will buy the software because it will allow them to compete for retailers' business by offering Internet commerce services. San Francisco-based Wells Fargo Bank said it would be the first bank to install vGATE.

The Microsoft Merchant System is another important element in helping retailers sell over the Internet. It endeavours to simplify the complex task of setting up what Microsoft calls an "Internet storefront".

"So far, most retailers have been using the Internet as an electronic sales brochure, and few have taken the next step to online retailing," Mr Jeff Theil, business development manager at Microsoft, says.

Microsoft Merchant System is being tested by 175 retailers, and the price of the package will be announced later this year.

However, even with the promised support of important companies such as Microsoft, VeriFone, and the big banks, retailers still face the challenge of determining the best way to sell their goods over the Internet.

Tom Foremski

Salvesen rejects improved Hays bid

By Ross Tieman

Directors of Christian Salvesen are to consider options ranging from disposals to a break-up after rejecting a revised £1.18bn ($1.84bn) takeover approach from rival distribution group Hays.

Shares in Salvesen dropped 46½p to close at 304½p after Mr Ronnie Frost, Hays chairman, said he was not prepared to make a formal offer without the backing of Salvesen's board or family shareholders. Instead, Hays would concentrate on organic growth and other acquisition opportunities.

Rejection of Hays' revised terms, worth 390p a share, plus a 15p special dividend, places a duty upon Salvesen directors to break the company's three year record of under-performance, institutional investors said.

"They have to demonstrate that there is more value within the company than was implied in the Hays offer," said one.

At a board meeting yesterday, Salvesen directors unanimously opposed Hays' proposed terms of 17 new Hays shares plus £20.40 in cash for every 24 Salvesen shares.

Mr Chris Masters, Salvesen's chief executive, said there was insufficient industrial logic to justify a merger.

Hays has argued that Salvesen's strength in road distribution in continental Europe would have provided a springboard for the development of a European leader in specialised road haulage.

But Mr Masters said Hays had failed to grasp the potential of Salvesen's electricity generator hire business, which accounts for almost half of group profits.

Salvesen, which began life as a Scottish trading company 150 years ago and was once the world's biggest whaling group, has been substantially refocused over the past six years. "We believe we are now well placed to deliver profitable growth," said Mr Masters. "We will, with our financial advisers, be reviewing all the ways in which one can deliver shareholder value."

In a statement, Salvesen said options reviewed would include asset realisations, restructuring the group's balance sheet, a possible return of capital and break-up.

Boosey puts an end to Rico solo

By David Blackwell

When Jack Kerouac was tearing around America in search of jazz excitement in the 1950s, the chances are the virtuoso saxophone solos that helped inspire him to write *On The Road* were played on Rico reeds.

California-based Rico International was founded in 1936 and supplied reeds throughout the golden age of jazz and the beat generation. Yesterday, it ended its days as a family owned company when Boosey & Hawkes, the musical instrument maker and publisher, agreed to acquire it for £17.9m ($27.9m) cash. Shares in Boosey jumped 53p to close at 718p yesterday.

Rico makes 26m reeds a year for saxophones and clarinets, supplying 70 per cent of the North American market and 50 per cent of the world market.

The reeds are made from grass called *Arundo Donax*, which Rico grows in France, Argentina and California.

Jazz greats such as Charlie Parker used Rico reeds, and today the group numbers Sonny Rollins, David Sandborn and Kenny G among its customers.

Mr Richard Holland, chief executive of Boosey & Hawkes, yesterday said the deal "catapults us into the music accessories market". The group would be able to strengthen Rico's sales outside North America, and was hoping to develop the higher margin accessories business further – for example in mouthpieces.

Kleinwort Benson, Boosey's broker, said the deal would be immediately earnings enhancing and upgraded its forecast for this year from £6.9m to £7.15m and for next year from £7.6m to £8.75m.

While gearing will rise above 100 per cent at the year end, the group does not carry copyright values in its balance sheet and interest cover is almost 5 times.

Hanson demerger details imminent

By Ross Tieman

Hanson is set to announce listing particulars for the demerger of its chemicals and tobacco businesses before the end of the month, having secured new banking facilities totalling £4.5bn ($7.02bn).

Details of the first demergers in the group's four-way split could be unveiled as early as the week beginning August 19. Particulars for Imperial Tobacco Group and Form 10 registration with the SEC for Millennium Chemicals, which will be listed in New York, are now expected within two weeks of Hanson's third quarter results on August 15.

Mr Christopher Collins, deputy chairman, said the company was confident that a shareholder meeting to approve the deals would be held in September, allowing for flotations on October 1.

Shares in Hanson have fallen 24 per cent to 155¾p since the January announcement of the demerger. Lord Hanson, chairman, said he remained convinced this was the right way forward.

Tax clearances and financing are in place for the demerger. Syndication of the refinancing was substantially oversubscribed with commitments totalling £5.9bn received.

Cordiant back in the black

By Jane Martinson

Cordiant, the advertising group which includes Saatchi & Saatchi, beat market expectations yesterday when it turned first-half losses of £29.6m into pre-tax profit of £15.5m ($24.2m).

However, the group, which suffered an exodus of clients after the acrimonious removal last year of Mr Maurice Saatchi, warned that second-half revenue growth would not be as strong as the first half, leaving the full-year outcome flat. The shares eased 1p to 109p.

Mr Charlie Scott, chairman, said the group was on course to pay its first dividend in six years next March.

The strongest growth came from the US where underlying sales rose 5 per cent and trading profits jumped to £6.5m (£700,000).

In spite of this, it is understood that the role of Mr John Fitzgerald, who was appointed chief operating officer of Saatchi's US office in January, is being re-evaluated after differences in management style.

Mr Fitzgerald was brought in from McCann Erickson, another agency, to help turn the agency round. Cordiant refused to comment on the matter yesterday.

Total revenues fell 2 per cent to £366m in the six months to June 30 following disposals. Underlying revenues rose by 2 per cent.

A £16.5m exceptional cost to cover a property review and changes to a pension plan hit operating profits which fell to £1.2m (£7.3m). Mr Bob Seelert, chief executive, said the resulting efficiencies would save £3.8m a year. The cost was offset by a £17.5m gain from disposals.

Brendan Corr

Bob Seelert: strongest growth came from the US

Zeneca at top of City forecasts

By Daniel Green

Zeneca, the UK's third largest drugs company, published results for the first half of 1996 at the top of analysts' forecasts yesterday but warned that profit margins were being hurt by heavy spending on new product launches.

Pre-tax profits were 21 per cent up at £610m ($952m).

Sales rose 16 per cent to £2.9bn, helped by exchange rate movements worth two percentage points.

Mr John Mayo, finance director, said the underlying growth of 15 per cent was "in line" with the company's target compound growth rate for the next five years.

The biggest division, pharmaceuticals, was hit by the costs of a series of new product launches, mainly in cancer treatments. Sir David Barnes, chief executive, said new product launches would continue. "The investment is aimed at maximising returns to shareholders, but will involve a short-term increase in costs."

Pharmaceuticals sales grew 20 per cent to £1.2bn. Operating profits rose 12 per cent, including five percentage points of currency movements, to £383m.

Zeneca's newest division, Salick Healthcare, an operator of cancer clinics in the US, made a contribution to operating profits of £4m.

Losses at the seeds division were cut to £1m (£29m). Mr Mayo said it was being put into a joint venture with Dutch company Royal Vanderhave.

Rowland renews Lonrho tirade as deal approved

By Ross Tieman

Lonrho, the trading conglomerate, is today expected to complete the $389m repurchase of a one-third stake in its Metropole hotel business held by the Libyan Arab Foreign Investment Company.

Shareholders approved the deal yesterday on a show of hands at an extraordinary meeting in London attended by just 47 investors.

Later, Mr Tiny Rowland, Lonrho's founder who was ousted in a boardroom coup by Mr Dieter Bock, now chief executive, said it was "madness" to pay so much.

Mr Rowland, who is on a cruising holiday, said from his yacht My Hanse, "I could have bought these shares back tomorrow for £177m".

He saw no sense in selling the hotel business, he added, but called for an assurance that the benefits of Lonrho's planned three-way demerger, into hotels, trading and mining businesses, will be given to shareholders.

Mr Rowland's spokesman, Mr Matthew Knight of Knights solicitors, who attended the meeting on his behalf, sought unsuccessfully to elicit details of the flotation of the hotels that is expected to follow the buy-in.

"How will this bonanza for the Libyans improve matters for Lonrho shareholders?" he asked. Mr Knight said borrowing to fund the repurchase would lift Lonrho's indebtedness to £800m.

Another shareholder said: "I am very glad you are buying it back, but I wish to blazes you didn't have to pay so much for it."

Sir John Leahy, Lonrho's chairman, said the price, some 29 per cent above the sum paid by Lafico in June 1992, reflected special rights the Libyans enjoyed.

According to details circulated to shareholders, Lafico held a veto over Metropole in respect of all borrowings, management appointments, acquisitions or disposals, capital spending and dividends.

Sir John said Lonrho's gearing would rise from 40 per cent to 60 per cent as a result of the repurchase.

But, he added, once the deal was done, "we will be able to put through the next stage with the hotels and we anticipate that gearing will reduce substantially".

He refused to answer any questions about the flotation of the Metropole and Princess hotels, which Lonrho has hired SBC Warburg to prepare.

"We have not yet announced proposals of how we intend to bring about the separation of our business," he said.

NEWS DIGEST

Shareholders attack Kepit

Private investors yesterday launched an angry attack on directors of Kleinwort European Privatisation Investment Trust, accusing them of lacklustre performance.

Speaking at an extraordinary meeting of the fund, one investor, Mr Stephen DeSousa, said he believed he was a more talented investor than the trust's board.

"I am only a pensioner, but I have been able to manage my investments better than these people who are paid huge salaries to do it," he said.

His criticisms were echoed by other private investors who accused the board of being fuddy-duddies and untalented. Mr John Buckley suggested that the fund was lifeless, and said that trust chairman Mr Shane Ross would make a better coroner than trust director.

The £500m trust has been in the doldrums since its launch in early 1994 and is trading at a discount to net asset value. In the past week this discount, which last night stood at a little under 12 per cent, has helped make the fund a target for at least seven financial houses.

Six companies wish to take over – or restructure – the management of the fund, and TR European Growth, a fund managed by Henderson Touche Remnant, has launched a hostile bid in order to wind up the trust. Yesterday's meeting was originally scheduled so that shareholders and warrant holders could vote on Kepit's own proposal to start a £300m buy-back.

However, the EGM had to be adjourned without votes being taken on this plan – to give the trust's board time to study the rival proposals.

Mr Ross refused yesterday to reveal the identity of any of the other interested parties. *Martin MacConnol*

Yorkshire Chemicals ahead

Yorkshire Chemicals yesterday reported a strong first half rebound but warned of a potential price war in Europe.

Pre-tax profits rose 16 per cent to £6.85m ($10.68m) in the six months to June 30, on turnover ahead 7 per cent to £67.7m. The shares rose 27p to 275p.

Mr Malcolm Wilson, finance director, said the company had shown "strong growth" in Europe but was uncertain whether this would continue because of "conflicting signals".

The European operations, which contributed 35 per cent of overall turnover, demonstrated "extraordinary growth" and the order book for dyestuffs was looking positive. But Mr Wilson said competitors like Distar were talking of regaining lost market share through large-scale price cuts and this meant future prospects could not be assessed with any certainty.

In North America, where price competition was "brutal", Yorkshire was "struggling", Mr Wilson said. The company had decided on diversification to offset reduction in margins and was moving into pigment dispersion. In Australia, against a background of a depressed printing industry, operating profits slipped 23 per cent.

Mr Wilson said Yorkshire had largely completed its restructuring programme – including the creation of a unified European division from two management teams – and this would save about £1.3m in a full year. *Justin Marozzi*

Sainsbury expands in US

J Sainsbury, the UK supermarket group, yesterday expanded its presence in the US by spending $62m to lift its stake in Giant Food, an east coast supermarket group, to nearly 20 per cent.

Analysts believe Sainsbury will eventually move to take full control of Giant Food – albeit at a cost of more than £1bn. However, they believe it will first want to resolve its problems in the UK, when it has been losing the battle for customer spending.

"Buying Giant Food would be dilutive, but in the long term it would be good for Sainsbury," said Mr Mike Dennis, food analyst at NatWest Markets.

Sainsbury bought 16.7 per cent of Giant Food and 50 per cent of the votes in the company in November 1994 for £205m in cash.

Yesterday's deal lifts its holding to 19.9 per cent after it purchased a further 2m shares at $31 each from the estate of Mr Israel Cohen, a former chairman and chief executive of Giant Food. Sainsbury did not buy any voting shares held by Mr Cohen.

Yesterday's market price for Giant Food shares was $34. *Christopher Brown-Humes*

Oxford Molecular cuts deficit

Oxford Molecular, which makes software for the pharmaceuticals industry, yesterday reported sharply reduced first half losses. The company, which is sometimes regarded by analysts as a biotechnology company, said it had made "significant progress" towards "sustainable profitability".

The pre-tax loss of £950,000 ($1.48m) for the six months to June 30 compared with a deficit of £2.11m.

Turnover was £4.35m, up 54 per cent, thanks largely to four acquisitions. All were in the US and were "modestly profitable" taken together, said the company.

At the period-end the company had net cash of £8.75m (£3.69m).

The company's client list is growing and now includes Abbott Laboratories of the US, Roche of Switzerland, and Glaxo Wellcome of the UK. The contract drug discovery division has contracts with Yamanouchi Pharmaceutical of Japan, recently floated Allizyme of the UK, and NeoRx, the US biotechnology company. *Daniel Green*

Friedland to link interests

Mr Robert Friedland, the mining dealmaker, is taking steps to link Bakyrchik Gold, the London-listed company which he helped to rescue in October, with Indochina Goldfields, a company he launched on the Toronto Stock Exchange in June. He and three Indonesian associates are – if shareholders approve – to exchange their Bakyrchik shares and options for shares in Indochina in a transaction worth about £18m.

When the options are exercised, Indochina will have 26.6 per cent of Bakyrchik, and the latter will collect about £10m, which it needs to complete a feasibility study in connection withits gold project in Kazakhstan. *Kenneth Gooding*

RESULTS

		Turnover (£m)		Pre-tax profit (£m)		EPS (p)		Dividends: Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
Appleyard	6 mths to June 30 ★	390.5	(339.9)	4.62	(4.95)	4.4	(4.8)	3.1	Sept 19	3.1	-	8.2
Barclays	6 mths to June 30	-	(-)	1,298♥	(1,125♥)	55.3	(42.8)	11.5	Oct 3	9.5	-	26
Benson	Yr to May 31	44.3	(36.6)	4.9L♠	(0.391L)	12.3L	(3.9L)	nil	-	nil	nil	0.12
BP	6 mths to June 30	-	(-)	1,336♠‡	(1,107‡)	23.8	(19.9)	5‡‡	Nov 4	4	-	15.25
Capital Shopping	6 mths to June 30	-	(-)	27.8	(22.3)	5.8	(4.8)	3.75	Oct 8	3.5	-	7.5
Cordiant	6 mths to June 30	385.8	(374.7)	15.5	(29.6L♠)	2†	(12.9L)	-	-	-	-	-
Mayflower	6 mths to June 30	140.7	(89.2)	10.2	(6.3)	3.27†	(2.39)	0.75	Nov 15	0.67	-	2
Millennium/Copthorne	6 mths to June 30	71	(12.5)	12.9	(1.19)	9†	(2.5)	0.7	Sept 20	-	-	-
Oxford Molecular	6 mths to June 30	4.35	(2.83)	0.95L	(2.11L)	1.8L	(4.2L)	-	-	-	-	-
Williamson Tea	Yr to Mar 31 ★	35.6	(35.8)	0.858♠	(3.34)	24.82L	(65)	10	Oct 4	15	20	25
Yorkshire Chemicals	6 mths to June 30	67.7	(63.4)	6.85	(5.89)	10.6	(9.2)	2.9	Oct 4	2.75	-	8.6
Zeneca	6 mths to June 30	2,940	(2,530)	610	(506)	42.9	(35.8)	12.5	November	11.25	-	31

Investment Trusts		NAV (p)		Attributable Earnings (£m)		EPS (p)		Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
CU Environmental	6 mths to June 30 ★	143	(113)	0.041	(0.061)	0.23	(0.46)	-	-	-	-	0.5
French Property	6 mths to June 30	90.5	(84.94◆)	0.116	(0.327)	0.46	(1.31)	0.5	Sept 11	0.5	-	1.9
Friends Prov Ethical	6 mths to June 30	78.16	(59.46)	0.693	(0.596)	4.13	(3.55)	3.15	Oct 14	3	-	6.62
Mercury Grosvenor	6 mths to June 30	213.9	(145.2)	0.757	(0.119L)	2.92	(0.84L)	-	-	-	-	1.3¥
SR Pan-European	6 mths to June 30 ★	47.59	(34.89)	0.164	(0.156)	0.82	(0.78)	0.25	Nov 22	0.5	-	1.3
TR Pacific	6 mths to June 30	118.3	(105.3)	0.837	(0.723)	0.559	(0.538)	-	-	-	-	0.175

Earnings shown basic. Dividends shown net. Figures in brackets are for corresponding period. ★Comparatives restated. ♠After exceptional charge. ♥After exceptional credit. ‡Post tax. ‡‡Second quarterly; makes 9.25p (7p) to date. †On increased capital. ◆At December 31. ¥Excludes special.

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BUSINESS AND THE ENVIRONMENT

Despite high hopes for recycling plastics, several hurdles are slowing progress, says **Jenny Luesby**

An unwieldy beast

If ever an industry should have taken off in the 1990s, it is plastics recycling. Adored by environmentalists and policymakers alike, it has been discussed, promoted and now legislated for.

Yet in 1991, when western Europe generated 14.6m tonnes of plastics waste, just 1.1m tonnes were recycled. By 1994, waste had risen by one fifth to 17.5m tonnes, but recycling was still running at 1.1m tonnes, excluding incineration.

With the European packaging and packaging waste directive set to impose a minimum 15 per cent target for plastics recycling, governments are under pressure to raise these levels.

The problem lies in the raw material. Two-thirds of plastics waste ends up in municipal solid waste, as one-part plastic to 11 parts of everything else by weight. Extracting the plastic is a difficult and messy business, despite increasing emphasis on consumers separating plastics prior to disposal.

Plastic is an umbrella term for a wide variety of materials. It is hard to sort plastics by types, and yet when mixed plastics are recycled together the results are inconsistent and unpredictable.

Efforts to promote more thorough sorting have included a Society of Plastic Industries coding system in the US, which moulds numbers from one to seven into plastic containers.

This has been a partial success. But a recent field study by Recycle Worlds Consulting in Wisconsin showed that even where plastics were sorted by code, unwanted plastics and non-plastics accounted for nearly 20 per cent of the material collected.

This amount of unwanted material could turn profits of \$500 (£320.50) a day at a plant recycling pure plastics into losses of between \$100 and \$700 a day, the group estimates. Part of this reversal is due to increased sorting costs, but it also reflects reduced revenues from poor-quality material.

One of the most trumpeted recycled plastics is PET, used to make bottles. However, plastic bottles are also made from PVC – and one PVC bottle can render an entire batch of reclaimed PET unusable.

In future, automated sorting may help with this. PVC can be fingerprinted, PET can be separated through flotation, and for larger items, machinery is coming on to the market that can classify plastics by measuring their interaction with light.

In this vein, Southampton University is marketing an infra-red spectrometer, developed with Ford, for identifying car parts. Similarly, Bruker of Germany has launched a spectroscope that can classify industrial plastic waste in just four seconds.

However, most of the plastic that finds its way into municipal waste does so as small items. Worse still, these are often made of mixed plastics.

Typical is a cheese wrapper, which might contain up to 14 layers of different plastics, with one designed to keep air out, another provided for strength, and so on.

One solution for unsortable plastics has been the development of uses for recycled mixed plastics. As a non-biodegradable alternative to wood, it has found a small market.

A recent example is the first commercial product to be launched by Scamia, a leading French plastics processor, as part of a project to find uses for recycled mixed plastics.

The group has developed stakes for mussel farmers. These are 25 per cent more expensive than the wooden equivalent, but they are also more than 50 per cent lighter, more flexible, can be used all year round, and last longer. Similarly, a Norwegian producer has launched a moulded carrier bag for large drink bottles, made from industrial plastics waste, while other plastic recyclers are marketing crates, pallets, seed trays, park benches and even pig pens.

But the market for recycled mixed plastic remains smaller than the amount of available material. Industry experts point to rising stockpiles in Germany, which pioneered plastics recycling in Europe through its Duales System Deutschland. This is despite moves to export some of DSD's plastics waste to Asia.

Meanwhile, the French and Belgian national schemes Eco-Emballages and Fost Plus have been hampered by the amount of material built up in Germany.

In the UK, the DTI has sought to prevent this outcome by making producers responsible for their own recycling. Under a shared responsibility agreement unveiled in June, 11,500 businesses that generate more than 50 tonnes a year of packaging waste will be responsible for recovering half their packaging.

Estimates on the cost to industry of this programme vary from £250m to £575m a year – this is after the savings reported by supermarket chains, such as J. Sainsbury and Tesco, which have already launched recovery programmes for their packaging.

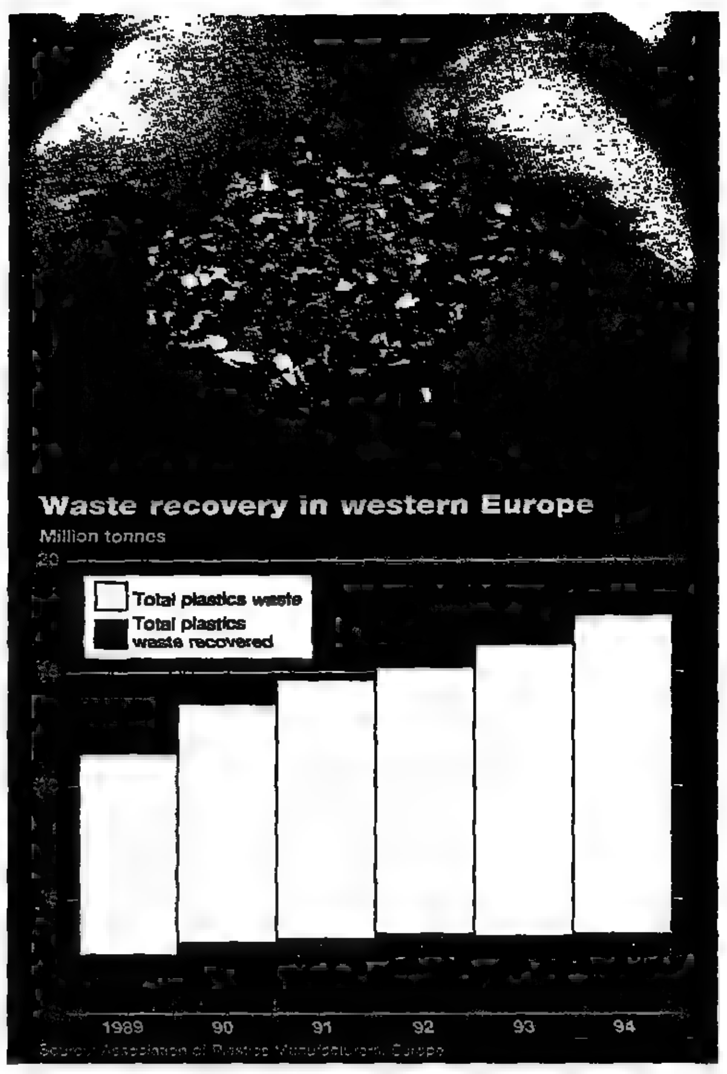
However, the biggest challenge for most of the businesses involved in the scheme will be finding a use for the plastic. Chemical consultants Tecnon forecast that recycled plastics will have claimed just 3 per cent of the plastics market by 2000.

The problem remains quality. Even when pure, plastic is not like glass or metal, which can be melted and reformed without being weakened. Recycled plastics are "very rarely able to perform at the same level as the original plastics", says Andrew Warmington of consultants Harriman Chemsult.

As a result, recycled plastics need to be at least 30 per cent cheaper than virgin material to compete, he says.

Yet recyclers face extraordinary costs in gathering and preparing their raw material.

Several EU members are now close to implementing the EU packaging directive. But even as their schemes are launched plastics recycling remains fraught with commercial and technological difficulties.



Plastics find a role in steel industry

Philip Greenfield reports on a novel way to produce pig iron

Germany's steelmaking industry has come up with a novel solution to the problem of waste plastics – grind them into particles and use them in the steelmaking process.

Plastics make ideal agents for removing oxygen from iron ore in blast furnaces and save on oil and coal as well. It takes 100kg of heavy oil to produce one tonne of pig iron – pure iron which is used to make steel.

The aim of replacing heavy oil and coal with plastics in blast furnaces is not to get the maximum energy out of them but to use their ability as reducing agents. They can be just as effective as oil or coal.

At temperatures of more than 2,000°C, plastics split into mainly carbon monoxide and hydrogen. These combine with the oxygen in iron ore to form carbon dioxide and steam as well as the pig iron, which collects at the bottom of the furnace.

Germany's use of the process relies on the Duales System Deutschland, a government-backed and industry funded system for recycling consumer plastic packaging. DSD claims that the overall efficiency of using plastics in the blast furnace, as a reducing agent and as an additional energy source, is around 80 per cent. Some 30 per cent of the plastic's latent energy content is used thermally.

Incinerating plastics to produce electricity has an overall efficiency of just 40 per cent, says the DSD.

But there have been fears that poisonous dioxins and fluorans could result from the chemical reaction inside the furnace if plastics which contain chlorine, such as PVC, were used. These were quelled when independent studies found that concentrations of these agents were well within legal limits, although a limit of no more than 2 per cent chlorine content by mass has been established.

Stahlwerke Bremen, which pioneered the use of waste plastics in the blast furnace, has replaced 30 per cent of the heavy oil it uses with a corresponding amount of plastic agglomerates, waste plastics which have been cut up and granulated by frictional heat into pieces not much bigger than a grain of rice.

The Bremen steelworks receives DM200 (£87) per tonne of plastics it uses as part of a three-year contract with the DSD. The steelmaker has invested DM15m in the project to convert from oil injection. With the money it gets for the 70,000 tonnes of plastics it uses every year and the amount it saves on oil, the payback period will be less than a year.

The main modification to the blast furnace is to the injection system which instead of spraying oil into the furnace must combine oil and 5mm pieces of plastic.

"The preparation of the material is different and the injection tubes obviously have to be bigger," says the company. Beyond that, it is keeping its cards close to its chest.

"We are looking to patent the injection system as there are many companies interested. No engineers are allowed to visit the furnace from other companies at the moment."

Companies from Austria, Sweden and Japan have already approached the steelworks. Thanks to the success of Bremen, and the attractive subsidies from the DSD, the technique is finding wider use in Germany. This year, Krupp Hoesch Stahl in Dortmund was due to begin using the technique and others are lining up.

German industry will soon have the capacity to recover all waste plastics that are collected through DSD and use of these plastics in the blast furnace process will play a key part. Planned regulations on waste from cars and electronics will mean more potential supplies for the steel industry.

The UK plastics industry is now looking to the German experience as one answer to its growing problem of automotive plastics waste. The UK car industry generates between 300,000 to 400,000 tonnes of waste plastics every year and although recycling initiatives have been set up by the automotive industry, few manufacturers recycle due to the high cost of collecting, transporting and sorting parts.

The British Plastics Federation is in negotiations with the car industry and says that reports from the DSD are very positive and show waste plastics could be a valuable part of pig iron manufacture.

Currently, once all metals are removed from old cars, the remainder is shredded and the resulting "autofluff" is a mixture of plastics, foam, rubber and glass.

A working group headed by the car industry is to do a detailed study of the materials in shredders' output. The Care consortium, another car industry group, is looking at ways to meet European recycling targets with the help of recycling plants.

Care programme manager Derek Wilkins of Rover says it may be possible to separate plastics from the rest of the shredded material. If British Steel, which already recycles automotive steel, were to take back plastics as well, transport costs could conceivably be reduced.

"Some cost savings may filter their way down to the car manufacturers via lower priced steels," he says, although it is more likely they will be shared between British Steel and car shredders.

The author writes for Professional Engineering magazine.

INTERNATIONAL CAPITAL MARKETS

Unease on Emu sparks French sell-off

By Samer Iskandar and Peter John

French bonds came under pressure yesterday and the franc weakened against other currencies, reviving memories of speculation-led volatility last seen in the second half of 1992, when market participants feared a rejection of the Maastricht treaty on closer European integration.

Traders reported heavy bond selling in both the cash and futures markets, while some hedge funds allegedly established – or increased existing – short positions on the French currency. "The market has been expected to start unwinding convergence trades set up earlier this year," one banker in London said. "This could well be the beginning . . . It certainly looks like it."

Another observer said: "The French market is a leading indicator of the state of convergence trades. When the French market cheapens, traders review these trades."

Analysts said the first signs of weakness had appeared on Monday, when the 10-year yield spread of OATs over bunds briefly climbed into positive territory for the first time in several months. This spread yesterday opened at zero, then widened throughout the day to close at 5 basis points. In the futures market, Matif's September notional contract lost 0.22 to close at 123.42.

Traders said a rumour – the source of which could not be traced – circulated in the markets, hinting that French and German officials were considering delaying European monetary union. Although most analysts dismissed it as "unrealistic" and "unfounded", the rumour rapidly gained credence, ultimately leading to a denial by a French government spokesman.

GOVERNMENT BONDS

One trader in Paris said: "Unlike other such rumours, which are very common in August, we took this one seriously because it coincided with selling [of French bonds] by large domestic financial institutions."

Although the sell-off affected a wide range of maturities, one London-based trader pointed out that bonds maturing in 2002-2003 were hardest hit, their yield spread over German bonds closing at 2.5 basis points, more than 12 basis points wider than a week earlier.

Mr David Brickman, European economist at Yamaichi International, said the bonds' weakness was mostly currency-led. "When the D-Mark breached the FFr3.40 level, it triggered the selling."

Mr Brickman believes that although the long-term trend is still towards a zero spread, as part of the move to a single currency, French bonds could suffer in the short term because of uncertainty over France's 1997 budget plans, and looming social upheaval. He expects the 10-year spread over bunds to widen to around 25-30 basis points in coming weeks, "unless the franc weakens further, [in which case] the correction could be even more pronounced".

■ Bunds closed slightly higher, with Liffe's September contract rising 0.06 to close at 97.77. One bond strategist in London said there was short selling of bunds, as well as guilder-denominated bonds, which showed that the rumour of a delay to Emu had also affected core markets.

■ The first part of a $39bn quarterly refunding programme took some of the impetus out of US Treasuries yesterday. Prices traded down a few points in early dealing as the Treasury auctioned $19bn of three-year bonds at an average yield of 6.118 per cent, down from 6.39 per cent at the previous auction on May 7.

This will be followed, today and tomorrow, by $10bn of 10-year notes and $10bn of 30-year bonds.

As a consequence of the supply, T-Bond futures were down $\frac{1}{16}$ at midday. However, prices traded slightly higher later with the US long bond rising to $90\frac{13}{32}$ and yielding 6.751 per cent, against 6.762 per cent on Monday.

There was a suspicion before the announcement of the take-up that much of the supply would be left with dealers. But there was also some anticipation that the recent trend of heavy last-minute buying from the hedge funds would be maintained.

Economists remain confident that there has been a big shift in sentiment following last week's employment and purchasing data. Friday's employment figures reinforced a growing view that the Federal Reserve's Open Market Committee would not need to raise interest rates at this month's committee meeting.

There is now a growing belief that the FOMC might not need to tighten monetary policy before the end of the year. Mr John McNeill, economist with IDEA, said: "There has been a sea change. All the data show that there is no inflationary pressure."

Hanson's £4.5bn deal closes oversubscribed

By Conner Middelmann

With bankers in much of Europe off on holiday, activity in the syndicated loans sector has slowed markedly.

"Unless there's some big acquisition, it'll stay quiet in the next few weeks," said one banker. "It's very difficult to get anything agreed. In many countries, like France and Italy, credit committees aren't even sitting – except on the beach."

Few new deals have been launched lately, but several are in general syndication.

The syndication of £4.5bn in new bank facilities for Hanson closed yesterday, heavily oversubscribed to the tune of £5.9bn.

"The full support of our banks for the demergers is confirmed by their oversubscription to these facilities," said Mr Derek Bonham, chief executive of the diversified industries conglomerate which is splitting into four companies. Chase Investment Bank acted as global co-ordinator.

A £500m working capital facility for the recently privatised British Energy has been launched into general syndication by arrangers BZW, DKB, IBJ, Midland and Royal Bank of Scotland.

The deal comprises a £225m term loan paying a margin of 35 basis points over Libor and a £275m revolving credit facility at 27.5 basis points over Libor, with a utilisation fee of 7.5 basis points if more than 50 per cent is drawn.

A presentation to banks was held last Wednesday, followed by a visit to the Dungeness power station on Friday. The deal may take some time to evaluate and place, given that not every banker is comfortable with nuclear power.

SYNDICATED LOANS

"Nuclear power is an acquired taste," said one banker involved in the deal. "Some banks just wouldn't entertain it, but others – like French and Japanese – accept it more readily because they are familiar with it from their own countries," he said.

One new facility was the Body Shop's debut loan, a $60m five-year revolving credit. The transaction is priced at 32.5 basis points over Libor and has a commitment fee of 17.5 basis points, as well as a utilisation fee of 5 basis points on drawings over 50 per cent. BZW is acting as arranger.

Elsewhere, the Leeds & Holbeck Building Society has asked Lloyds Bank and WestLB to renegotiate the terms of a £230m seven-year facility which it signed in April 1995. Dealers were puzzled that the borrower did not seek to lengthen the maturity of the loan, but chose simply to shave 5 basis points off the margins and reduce the commitment fees by between 1 and 1.75 basis points. The move reflects the decline in margins in the building society sector since early 1995, the borrower said.

● NatWest Markets is examining ways of structuring one of the largest foreign finance deals made to an independent Russian company. Almazy Rossi Sakha, Russia's leading diamond producer, last week awarded NatWest the mandate to raise $500m of funding over the next two years. The funding is expected to be made in several tranches.

KfW satisfies pent-up demand

By Antonia Sharpe

Germany's KfW yesterday responded quickly to pent-up investor demand for long-dated dollar-denominated paper by issuing a $400m offering of 10-year eurobonds. Joint lead managers Deutsche Bank and Goldman Sachs said demand was such that the bonds sold out within 20 minutes of launch.

INTERNATIONAL BONDS

The recent rally in Treasuries, fuelled by receding fears of higher US interest rates, has encouraged investors to move out along the yield curve, but there has been little fresh supply. Goldman said KfW's deal was the first large 10-year dollar eurobond for five months.

The bonds were priced to yield 26 basis points over Treasuries, in line with similar outstanding paper. When they were freed to trade they tightened slightly.

The improved tone in bond markets lifted eurobond issuance, with the IFC raising Y10bn through an offer of three-year bonds targeted at Japanese retail investors. Since the bonds will be repaid in dollars, holders will receive an enhanced coupon of 5 per cent, compared with about 1¼ per cent on bank deposits.

New international bond issues

Borrower	Amount m.	Coupon %	Price	Maturity	Fees %	Spread bp	Book-runner
■ US DOLLARS							
KfW International Finance	400	6.875	99.641R	Aug 2006	0.325R	+26(WI 10yr)	Deutsche/Goldman Sachs
SM Prime Holdings	150	8.125#	99.261R	Feb 2002	0.75R	+200(6⅝%-01)	JP Morgan Securities
Korea First Bank‡	120	(a)	100.00R	Aug 1999	0.18R	-	Goldman Sachs Intl
Hansol Paper(b)§	60	0.25	100.00	Aug 2008	2.50	-	JP Morgan Securities
■ D-MARKS							
Philips Electronics	300	5.625	99.45R	Aug 2001	0.30R	+60(5¼%-01)	BNP Frft/Dresdner KB
■ YEN							
Intl Finance Corp(c)*	10bn	5.00	99.4725	Aug 1999	0.1875	-	Daiwa Europe
■ SWISS FRANCS							
Statoil	200	4.125	103.20	Sep 2001	2.00	-	Credit Suisse/Merrill
LW Rentenbank(d)	100	4.125	102.70	Sep 2002	2.25	-	Zürcher Kantonalbank
■ LUXEMBOURG FRANCS							
Bacob Overseas(f)	3bn	6.00	102.55	Dec 2001	1.75	-	Bacob Bank Luxembourg
Nordic Investment Bank(f)	2bn	6.25	102.40	Dec 2004	1.875	-	BIL/Crédit Européen-BBL
■ ESCUDOS							
Ford Credit Europe‡	10bn	(e)	100.00	Sep 2002	0.225	-	Banco Cisf

Final terms, non-callable unless stated. Yield spread (over relevant government bond) at launch supplied by lead manager. *Unlisted. §Convertible. ‡ Floating-rate note. #Semi-annual coupon. R: fixed re-offer price; fees shown at re-offer level. a) 6-mth Libor +30bp. b) Fixing: around Thursday. Puttable in 5 years to yield 50bp over Treasuries. Callable after one year subject to 130% hurdle rising to 145% after 4 years. c) Repaid in US$. d) Fungible with SFr100m. Plus 20 days accrued. e) 6-mth Lisbor +35bp; each coupon limited to 40bp increase. f) Long 1st coupon.

Reliance unit raises $425m

By Tony Tassell

Reliance Petroleum, part of the Indian petrochemicals to textiles Reliance group, has raised $425m through debt issues on the international market to fund the development of India's largest oil refinery.

Investment bankers said the Ambani family-controlled company raised $300m through a syndicated loan and $125m through a convertible bond issue which included a 25 per cent greenshoe option.

The seven-year syndicated loan was arranged by a group including Bank of America, ABN Amro Bank, Toronto Dominion Bank and Bankers Trust. It was priced at two percentage points over Libor. The $125m convertible bond issue was lead-managed by Union Bank of Switzerland.

Bankers said the bonds would be converted into global depository receipts in 2001. The coupon rate on the convertible bonds, which will be listed on the Luxembourg Stock Exchange, is 7.84 per cent.

Reliance Petroleum plans to build its refinery on the west coast of India near Jamnagar port in the state of Gujarat. The refinery will have a capacity to process 15m tonnes of crude oil a year, to produce petroleum products worth Rp120bn ($3.4bn) at 1996 prices.

The company is aiming to complete construction by 1998.

WORLD BOND PRICES

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Day's change	Yield	Week ago	Month ago
Australia		10.000	02/06	112.3780	-0.210	8.11	8.60	8.96
Austria		6.250	05/06	98.8100	+0.020	6.51	6.44	6.56
Belgium		7.000	05/06	102.5500	-0.020	6.63	6.76	6.80
Canada *		7.000	12/06	97.6300	-0.200	7.30	7.71	7.79
Denmark		8.000	03/06	105.0400	+0.100	7.24	7.32	7.47
France	BTAN	5.750	03/01	101.2740	-0.330	5.42	5.45	5.66
	OAT	7.250	04/06	106.4500	-0.210	6.33	6.37	6.57
Germany Bund		6.250	04/06	99.7800	+0.090	6.28	6.40	6.57
Ireland		8.000	08/06	103.0900	-0.130	7.55	7.64	7.72
Italy		9.500	02/06	102.0300	-0.180	9.17†	9.36	9.22
Japan	No 140	6.600	06/01	118.7952	+0.015	2.30	2.31	2.34
	No 182	3.000	09/05	98.0714	-	3.28	3.28	3.27
Netherlands		8.500	06/06	115.9600	+0.020	6.27	6.25	6.49
Portugal		11.875	02/05	118.9400	-0.050	8.63	8.66	8.72
Spain		8.800	04/06	99.9300	-0.430	8.79	8.86	8.90
Sweden		6.000	02/05	88.9627	+0.003	8.18	8.27	8.23
UK Gilts		8.000	12/00	103-18	-	7.02	7.15	7.26
		7.500	12/06	98-04	+3/32	7.76	7.91	7.89
		9.000	10/08	108-22	+5/32	7.87	8.01	8.11
US Treasury *		7.000	07/06	103-13	-	6.49	6.90	6.90
		6.000	02/26	90-12	-	6.76	7.07	7.08
ECU (French Govt)		7.500	04/05	104.5900	-0.230	6.78	6.84	6.97

London closing, *New York mid-day. Yields: Local market standard.
† Gross (including withholding tax at 12.5 per cent payable by nonresidents)
Prices: US, UK in 32nds, others in decimal. Source: MMS International

US INTEREST RATES

Latest		Treasury Bills and Bond Yields			
Prime rate	8¼	One month	-	Two year	5.94
Broker loan rate	7	Two month	-	Three year	6.10
Fed.funds	5⅛	Three month	5.19	Five year	6.30
Fed.funds at intervention	-	Six month	5.32	10-year	6.64
		One year	5.60	30-year	6.77

BOND FUTURES AND OPTIONS

France

■ NOTIONAL FRENCH BOND FUTURES (MATIF) FFr500,000

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	123.68	123.42	-0.22	123.72	123.38	85,636	105,863
Dec	122.32	122.08	-0.20	122.34	122.06	2,652	35,729
Mar	122.08	121.84	-0.20	122.08	121.82	722	5,300

■ LONG TERM FRENCH BOND OPTIONS (MATIF)

Strike Price	Calls Sep	Calls Oct	Calls Dec	Puts Sep	Puts Oct	Puts Dec
120	-	-	-	0.01	-	0.52
121	-	1.40	1.88	0.05	0.39	0.78
122	1.52	0.79	-	0.12	0.70	-
123	0.71	0.38	-	0.29	-	-
124	0.21	0.14	0.47	0.78	-	-

Est. vol total, Calls 9,731 Puts 17,510. Previous day's open int., Calls Puts

Germany

■ NOTIONAL GERMAN BUND FUTURES (LIFFE)* DM250,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	97.68	97.77	+0.06	97.79	97.57	89636	242409
Dec	96.80	96.83	+0.06	96.88	96.75	1897	11064

■ BUND FUTURES OPTIONS (LIFFE) DM250,000 points of 100%

Strike Price	Calls Sep	Calls Oct	Calls Nov	Calls Dec	Puts Sep	Puts Oct	Puts Nov	Puts Dec
9750	0.49	0.37	0.55	0.73	0.22	0.98	1.17	1.34
9800	0.23	0.22	0.39	0.54	0.46	1.33	1.50	1.65
9850	0.09	0.12	0.26	0.40	0.82	1.73	1.87	2.01

Est. vol. total, Calls 9809 Puts 6815. Previous day's open int., Calls 160224 Puts 167163

Italy

■ NOTIONAL ITALIAN GOVT. BOND (BTP) FUTURES (LIFFE)* Lira 200m 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	117.26	116.93	-0.18	117.28	116.86	37042	63594
Dec	116.45	116.22	-0.20	116.45	116.30	789	3877

■ ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS (LIFFE) Lira200m 100ths of 100%

Strike Price	Calls Sep	Calls Dec	Puts Sep	Puts Dec
11650	0.83	1.54	0.40	1.82
11700	0.55	1.30	0.62	2.08
11750	0.32	1.11	0.89	2.39

Est. vol. total, Calls 5525 Puts 845. Previous day's open int., Calls 89540 Puts 93686

Spain

■ NOTIONAL SPANISH BOND FUTURES (MEFF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Sep	101.60	101 14	-0.42	101.10	101.10	42,735	49,474

UK

■ NOTIONAL UK GILT FUTURES (LIFFE)* £50,000 32nds of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	108-00	108-04	+0-04	108-05	107-26	28043	150013
Dec	107-04	107-10	+0-04	107-11	107-04	12	778

■ LONG GILT FUTURES OPTIONS (LIFFE) £50,000 64ths of 100%

Strike Price	Calls Sep	Calls Oct	Calls Nov	Calls Dec	Puts Sep	Puts Oct	Puts Nov	Puts Dec
108	0-34	0-40	0-60	1-10	0-26	1-20	1-40	1-54
109	0-10	0-20	0-38	0-50	1-02	2-00	2-16	2-30
110	0-02	0-08	0-21	0-32	1-58	2-52	3-01	3-12

Est. vol. total, Calls 4872 Puts 1741. Previous day's open int., Calls 27115 Puts 21308

Ecu

■ ECU BOND FUTURES (MATIF) ECU100,000

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Sep	92.20	92.00	-0.20	92.20	91.96	1,479	8,155
Dec	-	90.26	-0.20	-	-	-	505

US

■ US TREASURY BOND FUTURES (CBT) $100,000 32nds of 100%

	Open	Latest	Change	High	Low	Est. vol.	Open int.
Sep	111-22	111-18	-0-06	111-22	111-14	115,124	436,678
Dec	111-04	111-03	-0-04	111-04	110-29	4,054	25,355
Mar	-	110-26	-	-	-	393	4,035

Japan

■ NOTIONAL LONG TERM JAPANESE GOVT. BOND FUTURES (LIFFE) Y100m 100ths of 100%

	Open	Close	Change	High	Low	Est. vol	Open int.
Sep	119.23			119.31	119.20	2681	n/a
Dec	118.06			118.12	118.05	998	n/a

* LIFFE futures also traded on APT. All Open interest figs. are for previous day.

FT-ACTUARIES FIXED INTEREST INDICES

Price Indices UK Gilts	Tue Aug 6	Day's change %	Mon Aug 5	Accrued interest	xd adj. ytd		Low coupon yield Aug 6	Aug 5	Yr. ago	Medium coupon yield Aug 6	Aug 5	Yr. ago	High coupon yield Aug 6	Aug 5	Yr. ago
1 Up to 5 years (22)	122.52	0.02	122.49	2.71	5.55	5 yrs	7.18	7.16	7.71	7.21	7.22	7.72	7.29	7.30	7.81
2 5-15 years (20)	148.32	0.14	148.12	2.72	6.39	15 yrs	8.00	8.02	8.10	8.00	8.02	8.14	8.06	8.10	8.23
3 Over 15 years (8)	162.89	0.18	162.61	3.01	7.40	20 yrs	8.10	8.12	8.13	8.09	8.11	8.17	8.16	8.17	8.23
4 Irredeemables (6)	185.24	0.08	185.08	2.89	7.98	Irred.†	8.19	8.20	8.20						
5 All stocks (56)	148.20	0.10	148.06	2.82	6.90										

Index-linked							Inflation 5% Aug 6	Aug 5	Yr. ago	Inflation 10% Aug 6	Aug 5	Yr. ago
6 Up to 5 years (1)	189.97	0.04	199.29	2.48	4.45	Up to 5 yrs	2.52	2.55	3.29	0.97	0.97	1.92
7 Over 5 years (11)	189.72	0.27	189.21	1.35	2.79	Over 5 yrs	3.70	3.72	3.59	3.50	3.52	3.39
8 All stocks (12)	189.81	0.26	189.31	1.38	2.81							

Average gross redemption yields are shown above. Coupon Bands: Low: 0%-7¾%; Medium: 8%-10¾%; High: 11% and over. † Flat yield. ytd Year to date.

FT FIXED INTEREST INDICES

	Aug 6	Aug 5	Aug 2	Aug 1	Jul 31	Yr ago	High*	Low*
Govt. Secs. (UK)	93.39	93.35	93.33	93.07	92.77	93.89	96.34	91.59
Fixed Interest	113.26	113.19	113.02	112.89	112.82	112.19	115.23	110.74

* for 1996. Government Securities high since compilation: 127.4 (09/01/35), low 49.18 (03/01/75). Fixed Interest high since compilation: 133.87 (21/01/94), low 50.53 (03/01/75). Basis 100: Government Securities 15/10/26 and Fixed Interest 1928. SE activity indices rebased 1974.

GILT EDGED ACTIVITY INDICES

	Aug 5	Aug 2	Aug 1	Jul 31	Jul 30
Gilt Edged bargains	74.4	94.3	79.8	84.2	84.1
5-day average	83.3	82.0	77.4	81.0	80.0

FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 7:10 pm on August 6

	Issued	Bid	Offer	Chg	Yield
U.S. DOLLAR STRAIGHTS					
Abbey Natl Treasury 6½ 03	1000	98¼	98⅝	-⅛	6.82
ABN Amro Bank 7¼ 05	1000	101	101¼		7.22
African Dev Bk 7⅜ 23	500	98⅞	99		7.51
Alberta Province 7⅞ 98	1000	102⅞	103		6.19
Asian Dev Bank 6¼ 05	750	93⅞	94⅛		6.90
Sweden 8 97	2500	103⅛	103¼		3.70
United Kingdom 7¼ 97	5500	104⅛	104¼		3.61
Volkswagen Intl Fin 7 03	1000	103⅝	104	-⅛	6.30
World Bank 0 15	2000	31⅞	32⅛		6.08
World Bank 6¾ 03	3000	99¾	100		5.91
Abbey Natl Treasury 8 03 £	1000	101	101¼		7.79
British Land 8⅞ 23 £	150	91⅞	91⅞		10.02
Denmark 6¾ 98 £	800	100⅜	100⅝		6.54
Depfa Finance 7⅞ 03 £	500	98⅞	99⅛	+⅛	7.88
EIB 8 03 £	1000	101⅞	102	+⅛	7.63
Glaxo Wellcome 8¾ 05 £	500	102⅞	103	+⅛	8.26
[illegible]					

UK GILTS PRICES

Notes	Yield Int	Yield Red	Price £	+ or -	52 week High	52 week Low
Shorts" (Lives up to Five Years)						
Treas 2pc 1996	0.91	5.57	[illegible]		[illegible]	[illegible]
Conversion 10pc 1996	9.68	5.72	101⅛		[illegible]	[illegible]
Treas 13¼pc 1997‡‡	12.82	5.95	[illegible]	-⅛	[illegible]	[illegible]
Exch 10½pc 1997	10.24	5.65	[illegible]	-⅛	[illegible]	[illegible]
[illegible]						
Treas 8½pc 2005‡‡	8.08	7.70	105⅛	+⅛	106⅞	101⅛
Treas 7½pc 2006‡‡	7.65	7.76	98⅛	+⅛	101⅛	94⅛
Treas 7¾pc 2006‡‡	7.78	7.79	99⅛	+⅛	103⅛	95⅛
Treas 8pc 2002-6‡‡	7.80	7.76	101⅛	+⅛	104⅛	97⅛
[illegible]						

Index-Linked	Notes	(1)	(2) Price £	+ or -	52 week High	52 week Low
4⅝pc '98‡‡	(135.6)	0.98	2.53	113⅛	+⅛	113⅝	111⅛
2½pc '01	(78.3)	2.83	3.41	182⅛	+⅛	182⅛	174⅛
2½pc '03	(78.8)	3.16	3.55	177⅛	+⅛	177⅛	170⅛
4⅛pc '04‡‡	(135.6)	3.22	3.58	118	+⅛	116⅛	112⅛
[illegible]						

Other Fixed Interest

[illegible]

CURRENCIES AND MONEY

MARKETS REPORT

Quiet markets struggle to find fresh direction

By Philip Gawith

Currency markets had an untidy day yesterday, faced with confusing economic figures and unusual trends in exchange rates.

A raft of conflicting German economic data left markets none the wiser about the likelihood of German rate cuts. As a result, the D-Mark was able to make progress against some currencies – the French and Swiss francs – while slipping back against high yielding currencies like the lira, Swedish krona and peseta.

After slipping to an intraday low of FFr3.4074 against the D-Mark, the franc recovered slightly to finish at FFr3.404. Some observers said the Bank of France had supported the franc.

Elsewhere the dollar had a steady day, finishing little changed at DM1.4843, from DM1.4813. Against the yen it closed at Y106.925 from Y106.630.

Sterling continued to trade weakly, with the trade weighted index closing at 84, from 84.2. Against the D-Mark, the pound finished at DM2.2821, from DM2.2869. Against the dollar it closed at $1.5375, from $1.5439.

■ Nervousness about the performance of the franc was exemplified by the market rumour – denied by President Chirac's office – that he had been in contact with Chancellor Kohl about a possible delay to EMU.

Although the rumour appeared to be grounded in the silly season rather than fact, uncertainty about the whole EMU process is sufficiently close to the surface that such talk is not wholly outlandish.

Normally European currencies are weak when the D-Mark is strong and the dollar weak. What is unusual about the franc's slide is that it comes against the backdrop of a comparatively weak D-Mark. This led Mr Nick Parsons, currency analyst at Banque Paribas to describe the franc's fall as a "fairly ominous wobble".

The main underlying concern appears to be slippage on the budget. Local press reports suggest that the spending freeze for 1997 is unlikely to be met, which could involve extra spending of up to FFr60bn.

"This has been taken as a fairly negative sign because previously their commitment to deficit reduction has been unswerving," said Mr Parsons.

He said the French, as with most European governments, were under considerable pressure to produce a credible budget package. He said budgetary problems in Europe were likely to be the trigger of currency volatility in the autumn, if not sooner.

Market participants said the Bank of France had intervened to support the franc at FFr3.4025, - a key technical (fibonacci) level, representing a 38 per cent retracement of the franc' s move from its 1996 high of FFr3.4540 against the D-Mark in February, to a low of FFr3.3710 in April.

"Central banks can read charts as well as anyone else," said Mr Parsons.

Selling of the franc was widespread – it also lost ground against the lira and the Ecu.

One factor which could rescue the franc from too aggressive a fall is the fact that foreigners remain fairly small holders of French government debt. Official figures suggest they hold around 16 per cent of French government bonds.

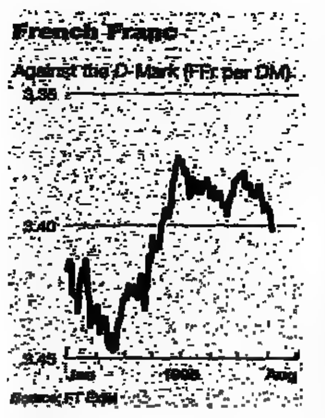
Some observers believe the franc's difficulties indicate difficult times ahead. In their latest weekly, economists at SBC Warburg in London note: "Storm clouds are gathering over Europe...the catalyst for the tension is the divergent growth trends in Europe – always a harbinger of instability in European exchange rates."

They point out that the current cocktail of Maastricht concerns, mixed in with rumours of political change, is nothing new. What is changing is the backdrop of slowing French and German economies, falling German rates and a dollar rally against the D-Mark.

They conclude: "France, like Italy and Sweden, will be faced with the need to ease monetary policy at a time when the dollar remains under downward pressure. The price for providing monetary stimulus will be slippage on the currency front."

French Franc

Against the D-Mark (FFr per DM)



Source: FT Extel

■ **Pound in New York**

Aug 6	—Latest—	— Prev. close —
£ spot	1.5375	1.5445
1 mth	1.5369	1.5439
3 mth	1.5365	1.5438
1 yr	1.5362	1.5433

■ **OTHER CURRENCIES**

Aug 6	£	$
Czech Rp	41.1255 - 41.1830	26.7570 - 26.7770
Hungary	230.489 - 230.715	149.980 - 150.010
Iran	4614.00 - 4611.00	3000.00 - 3000.00
Kuwait	0.4597 - 0.4605	0.2991 - 0.2994
Poland	4.1806 - 4.1880	2.7200 - 2.7230
Russia	8091.07 - 8093.96	5245.00 - 5247.00
U.A.E.	5.6448 - 5.6492	3.6726 - 3.6731

POUND SPOT FORWARD AGAINST THE POUND

Aug 6		Closing mid-point	Change on day	Bid/offer spread	Day's Mid high	Day's Mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	Bank of Eng. Index
Europe													
Austria	(Sch)	16.0568	-0.0056	497 - 678	16.1325	16.0485	16.0276	2.3	15.9526	2.6	-	-	105.3
Belgium	(BFr)	47.0368	-0.0629	953 - 782	47.2230	46.8780	46.9418	2.4	46.7518	2.4	45.9618	2.3	107.2
Denmark	(DKr)	8.8207	-0.0181	155 - 258	8.8595	8.8128	8.807	1.9	8.7868	1.5	8.6788	1.8	108.0
Finland	(FM)	6.8935	-0.0487	855 - 015	6.9560	6.8840	6.8891	0.8	6.8811	0.7	-	-	85.5
France	(FFr)	7.7675	-0.0084	642 - 707	7.7887	7.7562	7.7553	1.9	7.7325	1.8	7.6591	1.7	109.4
Germany	(DM)	2.2821	-0.0048	809 - 832	2.2930	2.2796	2.2776	2.3	2.2688	2.4	2.2296	2.3	109.3
Greece	(Dr)	364.484	-1.006	254 - 675	366.331	364.039	-	-	-	-	-	-	67.3
Ireland	(I£)	0.9583	-0.0015	576 - 590	0.9617	0.9573	0.9578	0.6	0.9568	0.7	0.9521	0.6	99.3
Italy	(L)	2329.67	-11.04	803 - 130	2345.37	2328.48	2335.22	-2.9	2345.07	-2.6	2377.57	-2.1	78.4
Luxembourg	(LFr)	47.0368	-0.0629	953 - 782	47.2230	46.8780	46.9418	2.4	46.7518	2.4	45.9568	2.3	107.2
Netherlands	(Fl)	2.5601	-0.0046	585 - 617	2.5751	2.5579	2.554	2.9	2.542	2.8	2.4943	2.8	107.5
Norway	(NKr)	9.8609	-0.019	519 - 698	9.8952	9.8516	9.8524	1.0	9.8354	1.0	9.7519	1.1	96.6
Portugal	(Es)	234.346	-0.605	193 - 499	235.301	234.190	234.771	-2.2	235.676	-2.3	-	-	95.6
Spain	(Pta)	193.418	-1.075	309 - 527	194.641	193.298	193.679	-1.6	194.193	-1.6	195.593	-1.1	80.8
Sweden	(SKr)	10.1322	-0.0717	221 - 423	10.1870	10.1200	10.1325	0.0	10.1325	0.0	10.1306	0.0	89.4
Switzerland	(SFr)	1.8541	-0.0016	530 - 551	1.8618	1.8519	1.8491	3.2	1.8393	3.4	1.7901	3.5	113.1
UK	(£)	-	-	-	-	-	-	-	-	-	-	-	84.0
Ecu	-	1.2138	-0.0041	131 - 144	1.2181	1.2124	1.2125	1.3	1.2095	1.4	1.1982	1.5	-
SDR†	-	1.056900	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.5354	-0.0064	347 - 360	1.5481	1.5347	-	-	-	-	-	-	-
Brazil	(R$)	1.5530	-0.0053	524 - 535	1.5609	1.5502	-	-	-	-	-	-	-
Canada	(C$)	2.1125	-0.0087	114 - 135	2.1286	2.1089	2.1118	0.4	2.1081	0.6	2.1	0.6	83.6
Mexico	(New Peso)	11.5843	-0.0745	767 - 919	11.6506	11.5682	-	-	-	-	-	-	-
USA	($)	1.5375	-0.0064	370 - 380	1.5482	1.5347	1.5369	0.5	1.5357	0.2	1.537	0.0	96.0
Pacific/Middle East/Africa													
Australia	(A$)	1.9825	-0.0147	812 - 837	2.0018	1.9800	1.985	-1.5	1.9901	-1.6	2.0153	-1.7	90.7
Hong Kong	(HK$)	11.8983	-0.0445	935 - 029	11.9591	11.8778	11.8902	0.6	11.8788	0.7	11.8588	0.3	-
India	(Rs)	54.7351	-0.2279	098 - 604	55.1020	54.3870	-	-	-	-	-	-	-
Israel	(Shk)	4.8421	-0.0217	365 - 476	4.8714	4.7900	-	-	-	-	-	-	-
Japan	(Y)	164.397	-0.229	290 - 505	165.280	164.180	163.672	5.3	162.162	5.4	155.787	5.2	135.8
Malaysia	(M$)	3.8369	-0.0207	348 - 389	3.8500	3.8202	-	-	-	-	-	-	-
New Zealand	(NZ$)	2.2369	-0.0228	350 - 387	2.2651	2.2348	2.2419	-2.7	2.2513	-2.6	2.2862	-2.2	107.5
Philippines	(Peso)	40.2746	-0.1677	079 - 417	40.4480	40.2066	-	-	-	-	-	-	-
Saudi Arabia	(SR)	5.7664	-0.024	644 - 684	5.7988	5.7560	-	-	-	-	-	-	-
Singapore	(S$)	2.1790	-0.0072	775 - 804	2.1894	2.1747	-	-	-	-	-	-	-
South Africa	(R)	6.8619	-0.0076	758 - 879	6.8984	6.8718	-	-	-	-	-	-	-
South Korea	(Won)	1251.83	-5.75	127 - 239	1259.23	1249.71	-	-	-	-	-	-	-
Taiwan	(T$)	42.2398	-0.2139	245 - 550	42.5181	42.1644	-	-	-	-	-	-	-
Thailand	(Bt)	38.8298	-0.1462	093 - 489	39.0480	38.7250	-	-	-	-	-	-	-

† Rates for Aug 5. Bid/offer spreads in the Pound Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. Sterling index calculated by the Bank of England. Base average 1990 = 100. Index rebased 1/2/95. Bid, Offer and Mid-rates in both this and the Dollar Spot tables derived from THE WM/REUTERS CLOSING SPOT RATES. Some values are rounded by the F.T.

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Aug 6		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	Day's mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	J.P Morgan Index
Europe													
Austria	(Sch)	10.4447	+0.0202	422 - 472	10.4675	10.4250	10.4262	2.2	10.3832	2.4	10.1997	2.3	105.2
Belgium	(BFr)	30.5930	+0.096	760 - 100	30.6650	30.4600	30.538	2.2	30.423	2.2	29.883	2.3	106.9
Denmark	(DKr)	5.7370	+0.012	355 - 385	5.7497	5.7253	5.7295	1.6	5.7125	1.7	5.6435	1.6	107.4
Finland	(FM)	4.4836	-0.0129	798 - 873	4.5063	4.4782	4.4771	1.7	4.4651	1.7	4.4198	1.4	84.4
France	(FFr)	5.0520	+0.0155	515 - 525	5.0592	5.0310	5.045	1.7	5.0308	1.7	4.963	1.8	109.1
Germany	(DM)	1.4843	+0.003	840 - 845	1.4881	1.4811	1.4818	2.0	1.476	2.2	1.4478	2.5	108.8
Greece	(Dr)	237.050	+0.33	990 - 110	237.550	236.700	238.725	-8.5	242.075	-8.5	256.05	-8.0	67.1
Ireland	(I£)	1.6045	-0.0041	039 - 051	1.6120	1.6000	1.6051	-0.4	1.6059	-0.4	1.5975	0.4	-
Italy	(L)	1515.23	-0.87	466 - 580	1520.32	1510.75	1519.88	-3.8	1528.13	-3.4	1550.88	-2.4	75.4
Luxembourg	(LFr)	30.5930	+0.096	760 - 100	30.6650	30.4600	30.54	2.1	30.4335	2.1	29.933	2.1	106.9
Netherlands	(Fl)	1.6651	+0.0007	646 - 656	1.6690	1.6615	1.6618	2.4	1.6548	2.5	1.6229	2.5	106.9
Norway	(NKr)	6.4136	+0.0143	098 - 173	6.4245	6.3825	6.4106	0.6	6.4051	0.5	6.3688	0.7	97.9
Portugal	(Es)	152.420	+0.24	370 - 470	152.800	152.200	152.735	-2.5	153.325	-2.4	155.47	-2.0	95.7
Spain	(Pta)	125.800	-0.175	770 - 830	126.320	125.740	126.05	-2.4	126.48	-2.2	128.02	-1.8	80.0
Sweden	(SKr)	6.5901	-0.0191	856 - 946	6.6115	6.5759	6.5892	0.2	6.5915	-0.1	6.5665	0.4	88.2
Switzerland	(SFr)	1.2059	+0.0039	055 - 062	1.2102	1.2010	1.2024	3.5	1.1949	3.6	1.1614	3.7	112.8
UK	(£)	1.5375	-0.0064	370 - 380	1.5482	1.5347	1.5369	0.5	1.5359	0.2	1.537	0.0	84.0
Ecu	-	1.2666	-0.001	665 - 670	1.2690	1.2641	1.2675	-0.7	1.2692	-0.8	1.275	-0.9	-
SDR†	-	0.68860	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	0.9986	-	985 - 987	1.0000	0.9982	-	-	-	-	-	-	-
Brazil	(R$)	1.0101	+0.0006	100 - 101	1.0101	1.0100	-	-	-	-	-	-	-
Canada	(C$)	1.3740	-0.0006	737 - 742	1.3770	1.3736	1.3739	0.1	1.3741	0.0	1.3769	-0.2	82.8
Mexico	(New Peso)	7.5345	-0.017	320 - 370	7.5370	7.5320	7.696	-25.7	7.891	-18.4	9.6445	-28.0	-
USA	($)	-	-	-	-	-	-	-	-	-	-	-	96.8
Pacific/Middle East/Africa													
Australia	(A$)	1.2893	-0.0042	880 - 905	1.2947	1.2867	1.2913	-1.9	1.2948	-1.7	1.3135	-1.9	91.6
Hong Kong	(HK$)	7.7387	+0.0002	382 - 392	7.7395	7.7350	7.7384	-0.1	7.7412	-0.1	7.7682	-0.4	-
India	(Rs)	35.5000	-	000 - 000	35.8700	35.3000	35.75	-5.1	36.055	-6.1	37.525	-5.4	-
Israel	(Shk)	3.1493	-0.001	467 - 519	3.1597	3.1092	-	-	-	-	-	-	-
Japan	(Y)	106.925	+0.295	890 - 960	107.250	106.480	106.48	5.0	105.58	5.0	101.84	4.8	136.8
Malaysia	(M$)	2.4890	-0.0032	885 - 895	2.4910	2.4877	2.4899	-0.4	2.496	-1.1	2.5195	-1.2	-
New Zealand	(NZ$)	1.4548	-0.0087	541 - 556	1.4656	1.4540	1.4579	-2.6	1.4637	-2.4	1.4893	-2.5	-
Philippines	(Peso)	26.1950	-	900 - 200	26.2300	26.1600	-	-	-	-	-	-	-
Saudi Arabia	(SR)	3.7505	-	504 - 506	3.7507	3.7504	3.751	-0.1	3.7517	-0.1	3.755	-0.1	-
Singapore	(S$)	1.4172	+0.0012	167 - 177	1.4179	1.4161	1.4137	3.0	1.4077	2.7	1.3822	2.5	-
South Africa	(R)	4.4760	+0.0135	735 - 785	4.4790	4.4625	4.5235	-12.7	4.6135	-12.3	4.961	-10.8	-
South Korea	(Won)	814.200	-0.3	100 - 300	814.300	814.100	-	-	-	-	-	-	-
Taiwan	(T$)	27.4730	-0.026	720 - 740	27.5080	27.4710	27.478	-0.2	27.483	-0.1	-	-	-
Thailand	(Bt)	25.2550	+0.01	500 - 600	25.2600	25.2470	25.3537	-4.7	25.5575	-4.6	26.44	-4.7	-

† SDR rate per $ for Aug 5. Bid/offer spreads in the Dollar Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. UK, Ireland & ECU are quoted in US currency. J.P. Morgan nominal indices Aug 6: Base average 1990=100.

WORLD INTEREST RATES

MONEY RATES

August 6	Over night	One month	Three mths	Six mths	One year	Lomb. inter.	Dis. rate	Repo rate
Belgium	3¼	3⅜	3⅜	3 13/32	3 15/32	7.00	2.50	-
week ago	3¼	3⅜	3 11/32	3¼	3⅜	7.00	2.50	-
France	3⅝	3⅝	3 21/32	3 11/16	4 1/16	3.55	-	3.75
week ago	3⅝	3 21/32	3¾	3 11/16	4 1/16	3.55	-	5.60
Germany	3⅜	3⅜	3⅜	3⅜	3 9/16	4.50	2.50	3.30
week ago	3 11/32	3⅜	3¼	3⅜	3½	4.50	2.50	3.30
Ireland	5⅝	5⅝	5 9/16	5 7/16	5 9/16	-	-	6.25
week ago	5 11/16	5⅝	5⅝	5⅝	5⅞	-	-	6.25
Italy	8⅝	8 9/16	8 17/32	8 11/16	8¼	-	8.25	8.55
week ago	8⅝	8 11/16	8 21/32	8⅝	8 11/16	-	8.25	8.70
Netherlands	2 15/16	2⅞	3 1/16	3⅛	3⅜	-	3.00	3.30
week ago	2⅞	2 29/32	3⅛	3⅛	3½	-	3.00	3.30
Switzerland	2⅛	2⅛	2⅜	2 7/16	2⅝	5.00	1.50	-
week ago	2⅛	2⅛	2½	2⅝	2¾	5.00	1.50	-
US	5¼	5 9/32	5⅜	5 17/32	5 25/32	-	5.00	-
week ago	5⅛	5 9/32	5⅜	5 19/32	6 1/16	-	5.00	-
Japan	15/32	½	9/16	19/32	1	-	0.50	-
week ago	7/16	½	19/32	21/32	1⅛	-	0.50	-
■ $ LIBOR FT London								
Interbank Fixing	-	5¼	5 13/32	5⅝	5⅞	-	-	-
week ago	-	5 5/16	5 9/16	5 23/32	6 1/16	-	-	-
US Dollar CDs	-	5.17	5.23	5.31	5.51	-	-	-
week ago	-	5.17	5.35	5.51	5.82	-	-	-
ECU Linked Ds	-	4⅛	4⅛	4⅛	4 5/16	-	-	-
week ago	-	4 1/16	4⅛	4 3/16	4½	-	-	-
SDR Linked Ds	-	3⅜	3⅜	3 13/32	3½	-	-	-
week ago	-	3¼	3 11/32	3½	3 11/16	-	-	-

$ LIBOR interbank fixing rates are offered rates for $10m quoted to the market by four reference banks at 11am each working day. The banks are: Bankers Trust, Bank of Tokyo, Barclays and National Westminster.
Mid rates are shown for the domestic Money Rates, US$ CDs, ECU & SDR Linked Deposits (Ds).

EURO CURRENCY INTEREST RATES

Aug 6	Short term	7 days notice	One month	Three months	Six months	One year
Belgian Franc	3 11/16 - 3 9/16	3 11/16 - 3 9/16	3 11/16 - 3 9/16	3⅜ - 3¼	3 13/32 - 3⅜	3⅝ - 3 15/32
Danish Krone	3 13/16 - 3 9/16	3 13/16 - 3 11/16	3⅞ - 3¾	3 15/16 - 3 13/16	4 1/16 - 3 29/32	4⅛ - 4 1/16
D-Mark	3 11/16 - 3 9/16	3½ - 3⅜	3 7/16 - 3⅜	3 13/32 - 3 11/32	3 15/32 - 3 13/32	3 19/32 - 3 15/32
Dutch Guilder	2⅞ - 2¾	2 15/16 - 2 13/16	2 31/32 - 2 27/32	3 1/16 - 2 31/32	3 3/16 - 3 1/16	3 7/16 - 3 5/16
French Franc	3 13/16 - 3 11/16	3⅞ - 3 25/32	3 15/16 - 3 13/16	3 15/16 - 3 13/16	3 31/32 - 3 27/32	4 3/16 - 3 31/32
Portuguese Esc.	7 15/16 - 7 13/16	7½ - 7 13/16	7 13/16 - 7⅝	7 11/16 - 7 9/16	7 9/16 - 7¼	7⅜ - 7¼
Spanish Peseta	7½ - 7 13/16	7½ - 7 13/16	7 7/16 - 7 5/16	7 7/16 - 7 5/16	7¼ - 7⅛	7¼ - 7⅛
Sterling	6 - 5¾	6⅛ - 5¾	5¾ - 5 21/32	5¾ - 5 21/32	5 29/32 - 5¾	6 1/16 - 5 15/16
Swiss Franc	2½ - 2¼	2 7/16 - 2 5/16	2¼ - 2⅛	2⅜ - 2¼	2½ - 2⅜	2⅝ - 2½
Can. Dollar	4 7/16 - 4⅛	4 7/16 - 4¼	4⅜ - 4¼	4 7/16 - 4 5/16	4½ - 4⅜	4⅞ - 4¾
US Dollar	5½ - 5⅜	5 7/16 - 5 5/16	5 7/16 - 5¼	5 9/16 - 5⅜	5¾ - 5 9/16	6 - 5 13/16
Italian Lira	8 11/16 - 8 9/16	8 11/16 - 8 9/16	8¾ - 8 11/16	8 13/16 - 8 11/16	8 7/16 - 8 11/16	8 5/16 - 8 3/16
Yen	7/16 - 5/16	½ - ⅜	15/32 - 13/32	⅝ - ½	23/32 - ⅝	1⅛ - 1
Asian $Sing	3 9/16 - 3 7/16	3 9/16 - 3 7/16	3½ - 3⅜	3½ - 3⅜	3½ - 3⅜	3⅝ - 3½

Short term rates are call for the US Dollar and Yen, others: two days' notice.

■ **THREE MONTH PIBOR FUTURES** (MATIF) Paris interbank offered rate (FFr 5m)

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	96.08	95.98	-0.05	96.08	95.95	36,039	54,597
Dec	96.03	95.93	-0.06	96.04	95.92	17,378	32,086
Mar	95.92	95.85	-0.05	95.95	95.82	5,636	30,313

■ **THREE MONTH EUROMARK FUTURES** (LIFFE)* DM1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	96.70	96.70	-	96.71	96.68	16222	176552
Dec	96.69	96.68	-0.01	96.70	96.64	26927	238078
Mar	96.49	96.48	-0.01	96.49	96.43	24540	192424
Jun	96.19	96.19	-0.01	96.22	96.13	27197	120077

■ **THREE MONTH EUROLIRA FUTURES** (LIFFE)* L1000m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	91.66	91.55	-0.11	91.69	91.50	11621	56773
Dec	92.13	92.04	-0.08	92.15	91.98	12218	38551
Mar	92.36	92.27	-0.08	92.36	92.27	1776	21940
Jun	92.38	92.30	-0.05	92.38	92.29	1069	14411

■ **THREE MONTH EURO SWISS FRANC FUTURES** (LIFFE) SFr1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	97.65	97.60	-0.03	97.65	97.58	8824	31196
Dec	97.54	97.51	-0.03	97.55	97.45	6537	26575
Mar	97.34	97.32	-0.02	97.34	97.25	669	10462
Jun	96.98	97.02	-0.03	97.00	96.98	412	2967

■ **THREE MONTH EUROYEN FUTURES** (LIFFE) Y100m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	99.16	99.17	-	99.17	99.16	166	n/a
Dec	98.87	98.89	+0.03	98.89	98.87	130	n/a
Mar	98.61	98.61	+0.03	98.61	98.61	55	n/a

■ **THREE MONTH ECU FUTURES** (LIFFE) Ecu1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	95.61	95.58	-0.04	95.62	95.57	1112	9261
Dec	95.61	95.50	-0.04	95.61	95.59	449	8915
Mar	95.47	95.47	-0.04	95.47	95.47	30	2685
Jun	95.27	95.27	-0.02	95.27	95.27	25	2670

* LIFFE futures also traded on APT

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

Aug 6		BFr	DKr	FFr	DM	I£	L	Fl	NKr	Es	Pta	SKr	SFr	£	C$	$	Y	Ecu
Belgium	(BFr)	100	18.74	16.50	4.847	2.035	4949	5.436	20.96	497.7	410.6	21.52	3.938	2.124	4.488	3.267	349.2	2.579
Denmark	(DKr)	53.37	10	8.806	2.587	1.086	2641	2.902	11.18	265.6	219.2	11.48	2.102	1.134	2.395	1.744	186.4	1.376
France	(FFr)	60.61	11.36	10	2.938	1.233	2999	3.296	12.69	301.6	249.0	13.04	2.387	1.287	2.720	1.980	211.6	1.563
Germany	(DM)	20.63	3.865	3.404	1	0.420	1021	1.122	4.321	102.7	84.75	4.439	0.812	0.438	0.926	0.674	72.04	0.532
Ireland	(I£)	49.14	9.206	8.109	2.382	1	2432	2.672	10.29	244.6	201.6	10.57	1.935	1.044	2.206	1.606	171.6	1.267
Italy	(L)	2.021	0.379	0.333	0.098	0.041	100.	0.110	0.423	10.06	8.300	0.435	0.080	0.043	0.091	0.066	7.056	0.052
Netherlands	(Fl)	18.39	3.446	3.034	0.891	0.374	910.2	1	3.852	91.52	75.55	3.957	0.724	0.391	0.825	0.601	64.22	0.474
Norway	(NKr)	47.74	8.945	7.877	2.314	0.972	2363	2.596	10	237.6	196.1	10.27	1.880	1.014	2.143	1.560	166.7	1.231
Portugal	(Es)	20.09	3.765	3.315	0.974	0.409	994.6	1.093	4.209	100.	82.54	4.324	0.791	0.427	0.902	0.656	70.17	0.518
Spain	(Pta)	24.34	4.561	4.017	1.180	0.495	1205	1.324	5.099	121.1	100.	5.238	0.959	0.517	1.093	0.795	85.01	0.628
Sweden	(SKr)	46.48	8.709	7.669	2.253	0.946	2300	2.527	9.734	231.3	190.9	10	1.830	0.987	2.085	1.518	162.3	1.198
Switzerland	(SFr)	25.39	4.758	4.190	1.231	0.517	1257	1.381	5.319	126.4	104.3	5.464	1	0.539	1.140	0.830	88.67	0.655
UK	(£)	47.05	8.821	7.768	2.282	0.958	2330	2.560	9.861	234.3	193.4	10.13	1.854	1	2.113	1.538	164.4	1.214
Canada	(C$)	22.28	4.175	3.676	1.080	0.453	1103	1.212	4.667	110.9	91.53	4.794	0.877	0.473	1	0.728	77.80	0.575
US	($)	30.61	5.736	5.051	1.484	0.623	1515	1.664	6.412	152.3	125.7	6.586	1.205	0.650	1.374	1	106.9	0.789
Japan	(Y)	28.64	5.366	4.726	1.388	0.583	1417	1.557	5.998	142.5	117.6	6.162	1.128	0.608	1.285	0.936	100.	0.738
Ecu		38.78	7.269	6.399	1.880	0.789	1919	2.109	8.123	193.0	159.3	8.344	1.527	0.824	1.741	1.267	135.4	1

Danish Kroner, French Franc, Norwegian Kroner, and Swedish Kronor per 10; Belgian Franc, Yen, Escudo, Lira and Peseta per 100.

■ **D-MARK FUTURES** (IMM) DM 125,000 per DM

	Open	Latest	Change	High	Low	Est. vol	Open int.
Sep	0.6799	0.6738	-0.0026	0.6769	0.6735	20,184	69,290
Dec	0.6781	0.6780	-0.0024	0.6787	0.6778	186	3,001
Mar	-	0.6847	-	-	-	21	693

■ **JAPANESE YEN FUTURES** (IMM) Yen 12.5 per Yen 100

	Open	Latest	Change	High	Low	Est. vol	Open int.
Sep	0.9440	0.9398	-0.0038	0.9445	0.9379	14,337	66,748
Dec	0.9516	0.9505	-0.0041	0.9516	0.9505	283	4,965
Mar	-	0.9659	-	-	-	2	124

■ **SWISS FRANC FUTURES** (IMM) SFr 125,000 per SFr

	Open	Latest	Change	High	Low	Est. vol	Open int.
Sep	0.8347	0.8303	-0.0048	0.8357	0.8304	12,814	38,808
Dec	0.8440	0.8386	-0.0051	0.8380	0.8340	92	2,270
Mar	-	0.8447	-0.0040	-	0.8447	10	98

■ **STERLING FUTURES** (IMM) £62,500 per £

	Open	Latest	Change	High	Low	Est. vol	Open int.
Sep	1.5438	1.5344	-0.0094	1.5458	1.5342	6,463	50,031
Dec	1.5390	1.5350	-0.0086	1.5386	1.5350	15	1,275
Mar	-	1.5360	-0.0076	-	1.5360	3	9

UK INTEREST RATES

LONDON MONEY RATES

Aug 6	Over-night	7 days notice	One month	Three months	Six months	One year
Interbank Sterling	5¾ - 5½	5⅞ - 5¾	5 13/16 - 5 11/16	5⅞ - 5¾	5⅞ - 5¾	6 1/16 - 5 15/16
Sterling CDs	-	-	5 23/32 - 5 21/32	5¾ - 5 21/32	5 27/32 - 5 25/32	5 31/32 - 5 29/32
Treasury Bills	-	-	5 21/32 - 5 19/32	5 9/16 - 5½	-	-
Bank Bills	-	-	5 11/16 - 5⅝	5⅝ - 5 9/16	5⅝ - 5 9/16	-
Local authority deps.	5 13/16 - 5 11/16	5¾ - 5⅝	5 25/32 - 5 23/32	5 13/16 - 5 23/32	5 15/16 - 5 13/16	6 1/16 - 5 15/16
Discount Market deps	5⅝ - 5¼	5 13/16 - 5 11/16	-	-	-	-

UK clearing bank base lending rate 5¾ per cent from June 6, 1996

	Up to 1 month	1-3 month	3-6 months	6-9 months	9-12 months
Certs of Tax dep. (£100,000)	2½	5½	5	5	4¾

Certs of Tax dep. under £100,000 is 2½pc. Deposits withdrawn for cash 1½pc. Ave. tender rate of discount on Aug 2, 5.5349pc. ECGD fixed rate Stlg. Export Finance. Make up day July 31, 1996. Agreed rate for period Aug 26, 1996 to Sep 24, 1996, Schemes II & III 7.06pc. Reference rate for period Jun 29, 1996 to July 31, 1996, Schemes IV & V 5.811pc. Finance House Base Rate 6pc from Aug 1, 1996

■ **THREE MONTH STERLING FUTURES** (LIFFE) £500,000 points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	94.27	94.27	-	94.27	94.26	3482	77466
Dec	94.22	94.21	-0.01	94.22	94.20	8713	105850
Mar	94.01	94.00	-0.01	94.01	93.98	4527	68174
Jun	93.66	93.66	-0.01	93.67	93.63	3009	45062
Sep	93.26	93.27	-	93.27	93.24	1574	32094

Also traded on APT. All Open interest figs. are for previous day.

■ **SHORT STERLING OPTIONS** (LIFFE) £500,000 points of 100%

Strike Price	CALLS Sep	CALLS Dec	CALLS Mar	PUTS Sep	PUTS Dec	PUTS Mar
9425	0.08	0.15	0.17	0.06	0.19	0.42
9450	0.01	0.05	0.10	0.24	0.34	0.60
9475	0	0.02	0.05	0.48	0.56	0.80

Est. vol. total, Calls 3020 Puts 775. Previous day's open int., Calls 132414 Puts 118393

EMS EUROPEAN CURRENCY UNIT RATES

Aug 6	Ecu cen. rates	Rate against Ecu	Change on day	% +/- from cen. rate	% spread v weakest	Div. ind.
Netherlands	2.15214	2.13480	+0.0016	-0.81	1.88	6
Spain	162.493	161.458	-0.465	-0.64	1.71	4
Belgium	39.3960	39.2242	+0.0344	-0.44	1.50	3
Germany	1.91007	1.90339	+0.00172	-0.35	1.41	3
Austria	13.4383	13.3949	+0.0123	-0.32	1.39	2
Portugal	195.792	195.516	+0.106	-0.14	1.20	1
Ireland	0.792214	0.797631	-0.002119	0.68	0.37	-5
Denmark	7.28580	7.35667	+0.00701	0.97	0.08	-7
France	6.40608	6.47384	+0.0106	1.06	0.00	-8
NON ERM MEMBERS						
Greece	292.867	303.787	-0.133	3.73	-2.57	-
Italy	2106.15	1941.70	-11.97	-7.81	9.62	-
UK	0.786652	0.831752	-0.001461	5.73	-4.42	-

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu: a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate.
(17/9/92) Sterling and Italian Lira suspended from ERM. Adjustment calculated by the Financial Times.

■ **PHILADELPHIA SE £/$ OPTIONS** £31,250 (cents per pound)

Strike Price	CALLS Aug	CALLS Sep	CALLS Oct	PUTS Aug	PUTS Sep	PUTS Oct
1.530	1.45	1.83	2.17	0.01	0.49	0.84
1.540	0.71	1.21	1.58	0.27	0.87	1.24
1.550	0.24	0.74	1.11	0.85	1.40	1.77
1.560	0.06	0.40	0.74	1.63	2.06	2.39
1.570	0.01	0.19	0.46	-	2.79	-

Previous day's vol., Calls 11,483 Puts 4,896 . Prev. day's open int., Calls 184,867 Puts 142,213

■ **THREE MONTH EURODOLLAR** (IMM) $1m points of 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Sep	94.42	94.42	-0.01	94.43	94.41	55,055	389,122
Dec	94.22	94.20	-0.02	94.22	94.18	77,102	444,028
Mar	94.11	94.09	-0.03	94.10	94.07	45,026	285,909

■ **US TREASURY BILL FUTURES** (IMM) $1m per 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Sep	94.92	94.92	-0.01	94.93	94.92	590	7,670
Dec	94.78	94.79	-0.05	94.78	94.78	162	1,747
Mar	-	94.68	-	-	94.68	128	577

All Open interest figs. are for previous day

■ **EUROMARK OPTIONS** (LIFFE) DM1m points of 100%

Strike Price	CALLS Aug	CALLS Sep	CALLS Oct	CALLS Dec	PUTS Aug	PUTS Sep	PUTS Oct	PUTS Dec
9650	0.21	0.22	0.23	0.27	0.01	0.02	0.05	0.09
9675	0.03	0.06	0.08	0.12	0.08	0.11	0.15	0.19
9700	0	0.01	0.03	0.04	0.30	0.31	0.35	0.36

Est. vol. total, Calls 18293 Puts 5840. Previous day's open int., Calls 332583 Puts 309804

■ **EURO SWISS FRANC OPTIONS** (LIFFE) SFr 1m points of 100%

Strike Price	CALLS Sep	CALLS Dec	CALLS Mar	PUTS Sep	PUTS Dec	PUTS Mar
9775	0.05	0.09	0.10	0.20	0.33	0.53
9800	0.01	0.04	0.05	0.41	0.53	0.73

Est. vol. total, Calls 0 Puts 0. Previous day's open int., Calls 9218 Puts 5652

■ **EUROLIRA OPTIONS** (LIFFE) L1000m points of 100%

Strike Price	CALLS Sep	CALLS Dec	CALLS Mar	PUTS Sep	PUTS Dec	PUTS Mar
9150	0.18	0.66	0.93	0.13	0.12	0.16
9175	0.08	0.47	0.75	0.28	0.18	0.23
9200	0.04	0.32	0.58	0.49	0.28	0.31

Est. vol. total, Calls 830 Puts 380. Previous day's open int., Calls 69722 Puts 33549

BASE LENDING RATES

	%		%		%
Adam & Company	5.75	Cyprus Popular Bank	5.75	*Mount Credit Corp	8.00
Allied Trust Bank	5.75	Duncan Lawrie	5.75	NatWestminster	5.75
AIB Bank	5.75	Exeter Bank Limited	6.75	●Rea Brothers	5.75
●Henry Ansbacher	5.75	Financial & Gen Bank	7.00	Royal Bk of Scotland	5.75
Bank of Baroda	5.75	●Robert Fleming & Co	5.75	●Singer & Friedlander	5.75
Banco Bilbao Vizcaya	5.75	Girobank	5.75	●Smith & Williamson Secs	5.75
Bank of Cyprus	5.75	●Guinness Mahon	5.75	Scottish Widows Bank	5.75
Bank of Ireland	5.75	Habib Bank AG Zurich	5.75	TSB	5.75
Bank of India	5.75	●Hambros Bank	5.75	United Bank of Kuwait	5.75
Bank of Scotland	5.75	Heritable & Gen Inv Bk	5.75	Unity Trust Bank Plc	5.75
Barclays Bank	5.75	●Hill Samuel	5.75	Western Trust	5.75
Brit Bk of Mid East	5.75	C. Hoare & Co	5.75	Whiteaway Laidlaw	5.75
●Brown Shipley & Co Ltd	5.75	Hongkong & Shanghai	5.75	Yorkshire Bank	5.75
Citibank NA	5.75	Julian Hodge Bank	5.75		
Clydesdale Bank	5.75	●Leopold Joseph & Sons	5.75		
The Co-operative Bank	5.75	Lloyds Bank	5.75		
Coutts & Co	5.75	Meghraj Bank Ltd.	5.75		
Credit Lyonnais	5.75	Midland Bank	5.75		

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COMMODITIES AND AGRICULTURE

Platinum price falls as S African strike ends

By Kenneth Gooding, Mining Correspondent

The prices of platinum's price in London fell by US$3.30 to $401 a troy ounce yesterday after peace broke out in the South African mining industry.

A five-day legal strike at Impala Platinum was due to end last night after employees accepted a revised offer from management. Ms Anne Dunn, an Implats official, said the night shift would go underground and all other employees would return to work today.

Implats, controlled by the Gencor group, said it had lost production of about 16,000 ounces of platinum and revenue of R36m (US$8m) while employees had lost R11m in wages.

Meanwhile, Anglo American Platinum's Rustenburg mine, the world's biggest producer of the metal, which is used mainly in industrial and automotive catalysts, said it expected output to return to normal "within days". The company lost output of 97,000 ounces of platinum during a three-week, wild cat strike in July. Employees have until August 16 to return to work under the terms of an agreement brokered four days ago with union officials by South Africa's Labour minister, Mr Tito Mboweni.

Mr Lawrence Eagles, analyst at GNI Research, part of the Gerrard & National commodities group, pointed out that the disturbances "will knock a large chunk of the projected [platinum supply] surplus out of the way this year, leaving the market in better shape in 1997".

In stockbroker HSBC James Capel's latest Mining Review, analyst Ms Annmarie Gardner is predicting the platinum market will have a modest supply deficit of 10,000 ounces this year compared with a surplus of 190,000 ounces in 1995. She points out that the platinum market moved into surplus last year after a 27 per cent jump in Russian exports to the west and these remain the critical factor for the market. "The level of Russian stocks is a state secret, but our calculations suggest sales will have to decline in 1997-98," she says. "If so, the market's fundamentals and sentiment will dramatically improve."

LME WAREHOUSE STOCKS
(As at Thursday's close)
tonnes

Aluminium	+3,525	to 908,100
Aluminium alloy	+260	to 86,380
Copper	+3,150	to 238,000
Lead	-75	to 99,875
Nickel	+888	to 34,560
Zinc	-600	to 588,125
Tin	-35	to 10,495

Newfoundland reaches agreement on $1.45bn offshore oil project

By Bernard Simon in Toronto

Newfoundland has reached agreement with a consortium led by Calgary-based Petro-Canada on fiscal and other arrangements for developing Canada's second offshore oilfield.

The Terra Nova field, located 350km off the Newfoundland coast, is due to come on stream in 2001 at a cost of about C$2bn (US$1.45bn). Production is estimated at 100,000 barrels a day for 16-18 years.

Terra Nova is 35km south-east of the Hibernia field which is scheduled to start production at the end of 1997 at a rate of 135,000 barrels a day.

The new field will use a floating production platform, holding its capital cost at less than half Hibernia, which has been designed around a costly concrete gravity base. Unlike Hibernia, the Terra Nova project will receive no government grants or loan guarantees. But purchases will be exempt from Newfoundland's retail sales tax.

The consortium has filed a development application, triggering environmental and other regulatory reviews that are expected to last about a year. A final decision on construction will be taken when these reviews have been completed.

Mr Brian Tobin, Newfoundland's premier, said the province expected to receive C$1.5bn in royalties and corporate taxes from Terra Nova, based on an US$18-a-barrel crude oil price at constant 1996 prices.

Petro-Canada will have a 34 per cent stake in the field, following completion of a recently-announced deal with Norsk Hydro under which the Norwegian group will acquire a 15 per cent interest. Mobil Oil will have a 21 per cent stake.

UK land values still low

By Alison Maitland

Agricultural land prices in the UK, which have nearly doubled in the past four years, are still among the cheapest in Europe, according to a survey by Knight Frank, the international property consultants.

Japan has by far the highest farmland prices in the world, while prices of arable land in New Zealand are four times higher than those in neighbouring Australia, the survey reveals.

Mr Clive Hopkins, a partner in the farms and estates department of Knight Frank, said the relative cheapness of UK farmland was attracting greater interest from overseas buyers than ever before and the price gap was closing.

Prices in the UK have been rising steeply as more arable farmers seek to expand their holdings, buoyed by generous arable subsidies from Brussels and high world grain prices.

But farmland prices are still much higher in countries like Germany and Belgium, where holdings tend to be very small compared with the UK. Every few hectares that come on to the market are in great demand, said Mr Hopkins.

The Netherlands came top of the price league of the five European countries surveyed by Knight Frank. Good quality land is expensive in a small, densely populated country where much of the land mass has been reclaimed from the sea.

In Spain, prices were inflated in the run-up to accession to the European Union. They dropped by up to half in the recession and have picked up a little, but remain below the level of the late 1980s.

Japanese prices are so high because dense urbanisation has reduced the amount of cultivable land available and agricultural landowners have been able to treble their returns by converting land on the edge of cities to residential use.

Mr Hopkins said the difference in prices between Australia and New Zealand could be explained by the "greener" climate and small land surface of the latter, together with strong, past profits in the dairy sector.

Land Prices (US$ a hectare - June 1996)

	Arable	Pasture
Belgium	14,285	9,520
Germany	19,790	15,220
Netherlands	23,600	19,050
Spain	13,320	9,200
UK	11,415	7,610
Japan	250,000	100,000
Argentina	2,100	800
Canada	2,900	1,670
US	6,175	3,100
Australia	4,200	2,320
New Zealand	16,000	16,000

Source: Knight Frank Research

Local interest helps to revive forests

John Madeley on experiments in reversing the trend towards state control

The alarming decline in tropical forests is being halted in parts by Asia by transferring their management from the state to local forest users. In some areas where this is being done, not only has deforestation been halted, but forest cover is increasing.

The participation of local people in forest management is an effective reversion to the age-old form of management, which was generally replaced by state control earlier this century. State management often tried to exclude local people from the forests they traditionally used. But this usually did not stop them finding their way into the forests to take wood for cooking and other forest products. As forests were seen as the responsibility of the state local communities had little interesting in maintaining them or using them sustainably.

Participatory forest management began to make a come-back in the 1980s and results are now coming through. The idea is that if local people revert to managing a forest then they see it as theirs rather than the state's, and are interested in developing it in a sustainable way.

One of the earliest projects was India's West Bengal participatory forest management project, launched by the state's government's forestry department in the early 1980s. The project, in the south-west of West Bengal, is partly funded by the Ford Foundation and the World Bank. It covers an area of about 70,000 hectares.

Local forest user groups now take responsibility for what the state government used to do. A recent survey found that in the project area, deforestation had been halted and forest cover has increased by nearly 4 per cent. India's central government has recommended other states to learn from the project.

While forest cover has increased in the West Bengal project area, however, not everyone in the local communities has benefitted. In particular, the poorest groups of forest users still seem to be excluded from the forest, partly because of difficulty securing membership of a forest-users' group and of knowing their rights.

> 'In areas where it is operating successfully, there has not only been a reduction in the rate of deforestation, but forest cover is again increasing'

Forestry specialist Ms Mary Hobley says that participatory forest management can mean the exclusion of marginal groups of people. The answer, she believes, "is very careful identification of who uses the forest, and a determination to see that no group of forest users is excluded".

Such determination was evident in a project launched in 1993 in neighbouring Nepal. A initial report for the Nepal-UK Community Forestry Project – an Overseas Development Administration-funded project – said that in Nepal, forest wealth had been "gravely misappropriated. Central government had tried to take away forest resources from the people. . . It was not therefore a surprise when cries of eco-crisis and forecasts of doom began to mount".

The government of Nepal changed course in 1988 with a "Master Plan for Forestry", which sets up forest user groups to take responsibility for "the protection, development and sustainable utilisation of the local forests".

The aim of the Nepal-UK project – which covers seven districts – is not only to conserve the forests but to help people alleviate their poverty. "The overall objective is to improve living conditions in the project area," says project manager Nick Roche. User groups are selectively making use of both timber and non-timber projects found in the forest and are free to plant crops in them, provided that the area remains covered by trees and is not turned over to agriculture.

"In areas where it is operating successfully, there has not only been a reduction in the rate of deforestation, but forest cover is again increasing," says a project official. "Forestry practices are more sustainable than they were, and there has been an improvement in the relationships between state and community."

In Africa, participatory forest management is at an earlier stage than in Asia. But it is influencing policies in some countries, although there is mistrust of the official "push" for the policy.

A recent ODA review conference of participatory forest management at Wye College, attended by forestry project managers and aid agencies workers, heard that participatory management projects had so far been in degraded low-value forests. But there was wide agreement that participation was the way forward.

"It's early days yet, but participatory forest management projects do seem to be leading to more sustainable forestry production," says Mr John Thompson of the International Institute for Environment and Development.

COMMODITIES PRICES

BASE METALS

LONDON METAL EXCHANGE
(Prices from Amalgamated Metal Trading)

■ ALUMINIUM, 99.7 PURITY ($ per tonne)

	Cash	3 mths
Close	1476-7	1510-11
Previous	1469.5-70.5	1505-5.5
High/low	1466	1513/1501
AM Official	1465.5-6.5	1502.5-3.0
Kerb close		1512.5-3.0
Open int.	225,587	
Total daily turnover	41,583	

■ ALUMINIUM ALLOY ($ per tonne)

	Cash	3 mths
Close	1272-7	1307-10
Previous	1255-60	1290-93
High/low		1307/1306
AM Official	1265-6	1296-300
Kerb close		1305-10
Open int.	926	
Total daily turnover	5,226	

■ LEAD ($ per tonne)

	Cash	3 mths
Close	798.5-9.5	804-5
Previous	800-1	805-6
High/low		810/801.5
AM Official	798.5-7.0	801.5-2.0
Kerb close		805-9
Open int.	5,880	
Total daily turnover	31,310	

■ NICKEL ($ per tonne)

	Cash	3 mths
Close	6840-50	6950-55
Previous	6835-40	6945-8
High/low		6980/6910
AM Official	6800-10	6915-20
Kerb close		6950-55
Open int.	14,100	
Total daily turnover	40,828	

■ TIN ($ per tonne)

	Cash	3 mths
Close	6070-80	6135-40
Previous	6040-50	6945-8
High/low	6060	6160/6100
AM Official	6060-65	6111-15
Kerb close		6150-60
Open int.	4,439	
Total daily turnover	16,484	

■ ZINC, special high grade ($ per tonne)

	Cash	3 mths
Close	1012-13	1039-40
Previous	1011-12	1038-9
High/low	1010.5	1043/1036
AM Official	1010-10.5	1037-7.5
Kerb close		1041-2
Open int.	7,438	
Total daily turnover	66,369	

■ COPPER, grade A ($ per tonne)

	Cash	3 mths
Close	2026-31	1924-5
Previous	2038-43	1936-7
High/low	2005	1930/1905
AM Official	2003-4	1910-11
Kerb close		1929-30
Open int.	84,552	
Total daily turnover	196,524	

■ LME AM Official £/$ rate: 1.5401
LME Closing £/$ rate: 1.5368

Spot: 1.5375 3 mths: 1.5367 6 mths: 1.5368 9 mths: 1.5369

■ HIGH GRADE COPPER (COMEX)

	Sett price	Day's change	High	Low	Vol	Open int
Aug	92.50	+1.75	92.90	90.30	206	2,652
Sep	91.95	+1.75	92.30	89.70	4,920	17,967
Oct	91.45	+1.85	91.40	91.40	43	1,483
Nov	90.75	+1.55	89.20	88.60	54	1,241
Dec	90.20	+1.50	90.50	88.50	1,043	15,083
Jan	89.75	+1.45	-	-	9	980
Total					6,717	56,895

PRECIOUS METALS

■ LONDON BULLION MARKET
(Prices supplied by N M Rothschild)

Gold(Troy oz)	$ price	£ equiv	SFr equiv
Close	388.40-388.80		
Opening	389.00-389.40		
Morning fix	388.85	252.812	469.925
Afternoon fix	388.50	252.814	467.778
Day's High	389.20-389.60		
Day's Low	388.10-388.50		
Previous close	389.00-389.40		

Loco Ldn Mean Gold Lending Rates (Vs US$)

1 month	4.53	6 months	4.02
2 months	4.44	12 months	3.93
3 months	4.39		

Silver Fix	p/troy oz.	US cts equiv.
Spot	329.10	507.00
3 months	333.40	513.40
6 months	337.60	519.65
1 year	346.45	533.50

Gold Coins	$ price	£ equiv.
Krugerrand	385-388	250-252
Maple Leaf	397.55-400.05	-
New Sovereign	90-93	58-60

Precious Metals continued

■ GOLD COMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Aug	388.8	-0.6	389.4	388.5	841	1,324
Oct	391.7	-0.6	392.0	391.1	1,162	13,020
Dec	394.4	-0.6	395.2	393.9	39,733	75,507
Feb	396.9	-0.6	397.2	396.5	55	9,742
Apr	399.3	-0.6	399.6	399.2	837	5,868
Jun	401.9	-0.6	402.5	401.9	1,432	10,917
Total					41,809	158,818

■ PLATINUM NYMEX (50 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Oct	404.4	-4.1	407.4	404.0	1,120	20,028
Jan	406.3	-4.4	410.0	405.6	116	3,165
Apr	408.5	-4.5	410.5	410.5	136	2,348
Jul	411.0	-4.5	416.0	416.5	100	157
Oct	416.0	-4.5	417.0	417.0	-	-
Total					1,244	25,719

■ PALLADIUM NYMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Sep	129.75	-0.85	130.00	129.10	692	6,334
Dec	130.65	-0.95	131.25	130.50	345	1,867
Mar	131.75	-0.95	-	-	8	66
Jun	132.80	-0.95	-	-	-	107
Total					1,036	8,378

■ SILVER COMEX (5,000 Troy oz.; Cents/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Aug	501.3	-5.1	502.0	502.0	-	4
Sep	503.5	-5.2	508.0	501.5	8,338	82,550
Dec	511.2	-5.3	516.0	509.0	1,090	26,880
Mar	519.0	-5.4	524.0	521.0	196	7,662
May	523.6	-5.7	532.0	531.0	14	5,516
Jul	528.5	-5.0	530.0	530.0	184	4,120
Total					9,829	109,418

ENERGY

■ CRUDE OIL NYMEX (1,000 barrels, $/barrel)

	Latest price	Day's change	High	Low	Vol	Open int
Sep	20.90	-0.33	21.28	20.84	38,583	88,808
Oct	20.42	-0.25	20.72	20.35	17,444	46,731
Nov	19.97	-0.20	20.20	19.91	9,513	28,699
Dec	19.57	-0.20	19.81	19.56	10,118	38,421
Jan	19.35	-0.12	19.50	19.34	2,124	26,961
Feb	19.19	-0.08	19.22	19.18	601	19,488
Total					81,282	352,489

■ CRUDE OIL IPE ($/barrel)

	Latest price	Day's change	High	Low	Vol	Open int
Sep	19.38	-0.25	19.65	19.38	12,200	58,589
Oct	19.06	-0.19	19.32	19.08	4,964	42,933
Nov	18.80	-0.03	18.92	18.80	1,535	9,669
Dec	18.45	-0.02	18.56	18.45	919	15,908
Jan	18.14	-0.03	18.26	18.14	887	11,133
Feb	18.00	+0.07	18.00	18.00	367	6,545
Total					[illegible]	[illegible]

■ HEATING OIL NYMEX (42,000 US galls.; c/US galls.)

	Latest price	Day's change	High	Low	Vol	Open int
Sep	57.05	-1.24	58.35	56.80	12,562	38,584
Oct	57.10	-1.14	58.25	56.90	4,518	12,343
Nov	57.40	-0.90	58.25	57.10	2,396	9,417
Dec	57.75	-0.62	58.40	57.50	7,200	24,127
Jan	57.50	-0.67	58.25	57.50	2,591	10,233
Feb	57.00	-0.02	57.10	56.85	466	5,354
Total					30,563	113,391

■ GAS OIL IPE ($/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Aug	180.50	-0.25	181.25	179.00	8,371	14,826
Sep	178.00	-0.50	179.00	177.50	8,342	15,600
Oct	177.25	-0.75	177.75	176.25	773	6,053
Nov	175.75	-1.00	175.75	175.00	379	4,485
Dec	174.25	-1.00	175.00	173.75	1,427	11,399
Jan	172.00	-1.00	172.00	171.50	580	4,913
Total					20,631	65,274

■ NATURAL GAS NYMEX (10,000 mmBtu; $/mmBtu)

	Latest price	Day's change	High	Low	Vol	Open int
Sep	2.110	-0.105	2.225	2.095	15,390	28,831
Oct	2.120	-0.086	2.225	2.110	3,586	19,287
Nov	2.210	-0.088	2.303	2.200	2,150	12,861
Dec	2.285	-0.080	2.380	2.289	1,393	14,987
Jan	2.295	-0.083	2.385	2.285	959	11,968
Feb	2.220	-0.063	2.270	2.215	354	7,082
Total					25,348	134,519

■ UNLEADED GASOLINE
NYMEX (42,000 US galls.; c/US galls.)

	Latest price	Day's change	High	Low	Vol	Open int
Sep	60.55	-0.76	61.30	60.40	9,478	27,942
Oct	58.40	-0.80	59.20	58.30	2,537	7,315
Nov	58.75	-0.70	57.30	56.75	1,920	4,134
Dec	56.00	-0.50	56.50	55.80	746	3,595
Jan	55.80	-0.10	55.80	55.80	840	3,283
Feb	55.65	-	55.65	55.65	164	1,342
Total					15,900	49,042

GRAINS AND OIL SEEDS

■ WHEAT LCE (£ per tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Sep	110.25	-0.15	110.60	110.25	21	387
Nov	111.60	-0.15	112.00	111.40	297	3,061
Jan	113.60	-0.25	114.00	113.55	46	1,391
Mar	115.85	-0.15	116.00	115.75	17	489
May	118.00	-	118.00	117.75	21	316
Jul	119.60	-	-	-	-	42
Total					402	5,686

■ WHEAT CBT (5,000bu min; cents/60lb bushel)

	Sett price	Day's change	High	Low	Vol	Open int
Sep	448.50	+6.00	450.00	438.00	2,670	25,236
Dec	453.00	+4.50	455.00	442.00	8,075	34,186
Mar	450.75	+4.25	453.00	442.00	866	6,586
May	427.25	+5.25	427.25	424.00	13	238
Jul	390.00	+3.00	390.00	385.50	124	2,536
Dec	396.50	-	-	-	-	81
Total					11,750	68,869

■ MAIZE CBT (5,000 bu min; cents/56lb bushel)

	Sett price	Day's change	High	Low	Vol	Open int
Sep	346.00	-2.25	348.25	341.25	15,107	54,000
Dec	319.50	+1.25	320.00	314.50	39,958	187,521
Mar	327.00	+1.25	327.50	322.75	3,368	37,023
May	332.00	+0.75	333.00	328.50	1,068	11,724
Jul	333.50	+1.50	334.00	329.75	479	8,688
Sep	305.50	+0.50	305.50	304.00	123	934
Total					59,494	297,807

■ BARLEY LCE (£ per tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Sep	100.00	-1.25	100.00	100.00	30	173
Nov	103.15	-0.35	103.25	102.90	155	904
Jan	105.15	-0.35	105.20	104.90	96	335
Mar	107.15	-0.85	107.25	107.25	1	60
May	109.25	-0.75	-	-	-	50
Total					282	1,522

■ SOYABEANS CBT (5,000bu min; cents/60lb bushel)

	Sett price	Day's change	High	Low	Vol	Open int
Aug	769.25	+2.25	773.00	764.00	4,107	9,328
Sep	751.75	+3.75	754.00	743.50	4,190	14,442
Nov	739.75	+6	741.50	729.75	30,098	111,767
Jan	748.25	+6	748.50	737.50	1,580	16,378
Mar	754.00	+6	755.50	747.00	768	8,023
May	757.50	+6	758.50	751.50	283	6,082
Total					41,814	173,878

■ SOYABEAN OIL CBT (60,000lbs; cents/lb)

	Sett price	Day's change	High	Low	Vol	Open int
Aug	24.67	+0.17	24.65	24.30	7,023	4,542
Sep	24.81	+0.17	24.85	24.42	9,095	18,383
Oct	25.00	+0.2	25.00	24.60	390	11,697
Dec	25.42	+0.21	25.44	25.00	8,497	34,925
Jan	25.56	+0.19	25.62	25.23	130	4,188
Mar	25.82	+0.17	25.90	25.58	313	4,073
Total					23,548	81,285

■ SOYABEAN MEAL CBT (100 tons; $/ton)

	Sett price	Day's change	High	Low	Vol	Open int
Aug	242.8	-1	244.2	242.0	5,070	13,064
Sep	238.4	-0.6	240.0	237.3	6,029	18,032
Oct	233.0	+0.7	233.5	230.8	971	7,248
Dec	231.3	+0.4	232.2	228.8	8,529	27,336
Jan	231.1	+0.1	232.0	229.0	146	3,997
Mar	231.4	+1	232.5	229.5	363	3,627
Total					22,262	75,950

■ POTATOES LCE (£/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Nov	85.0	-	-	-	-	-
Mar	110.0	-	-	-	-	-
Apr	106.3	+3.8	107.0	104.0	68	1,033
May	113.0	-12.0	-	-	-	3
Jun	182.5	-	-	-	-	-
Total					68	1,036

■ FREIGHT (BIFFEX) LCE ($10/index point)

	Sett price	Day's change	High	Low	Vol	Open int
Aug	1086	-4	1090	1085	57	1,026
Sep	1144	+8	1145	1127	57	718
Oct	1226	+10	1229	1225	31	1,407
Jan	1248	+9	-	-	18	427
Apr	1250	+10	-	-	-	191
Jul	1120	+15	1120	1120	1,105	19
Total					168	3,788

	Close	Prev
BFI	1,062	1061

FUTURES DATA
All futures data supplied by CMS.

SOFTS

■ COCOA LCE (£/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Sep	1011	+35	1013	970	1,612	40,478
Dec	1024	+26	1027	995	3,112	33,718
Mar	1031	+19	1036	1012	2,163	39,574
May	1040	+15	1046	1029	1,107	19,590
Jul	1049	+12	1043	1042	2	11,344
Sep	1059	+10	1059	1055	5	3,319
Total					8,086	171,813

■ COCOA CSCE (10 tonnes; $/tonnes)

	Sett price	Day's change	High	Low	Vol	Open int
Sep	1364	+13	1383	1343	1,864	18,437
Dec	1395	+15	1403	1382	808	19,636
Mar	1425	+16	1431	1414	186	16,931
May	1446	+16	1447	1436	144	7,463
Jul	1468	+13	-	-	2	5,941
Sep	1480	+13	1474	1474	5	5,162
Total					3,003	78,762

■ COCOA (ICCO) (SDR's/tonne)

	Price	Prev. day
Aug 5		
Daily	986.22	997.25

■ COFFEE LCE ($/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Sep	1549	+16	1555	1532	1,220	12,864
Nov	1526	+10	1530	1512	988	8,938
Jan	1486	+13	1490	1479	49	4,095
Mar	1443	+8	1445	1440	7	2,594
May	1432	+12	-	-	-	510
Jul	1413	-11	-	-	-	159
Total					2,294	29,160

■ COFFEE 'C' CSCE (37,500lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Sep	109.20	+1.30	109.70	108.50	2,617	13,703
Dec	103.25	+0.90	103.70	102.90	1,261	9,078
Mar	101.00	+0.80	101.75	100.80	165	3,500
May	101.65	+0.90	102.00	101.50	17	984
Jul	102.25	+1.00	101.10	101.10	49	407
Sep	102.75	+1.00	104.25	104.25	24	176
Total					3,993	27,922

■ COFFEE (ICO) (US cents/pound)

Aug 5		Prev. day
Comp. daily	97.88	97.63
15 day average	97.24	97.29

■ WHITE SUGAR LCE ($/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Oct	345.5	-1.3	348.2	345.0	813	11,170
Dec	343.5	-0.3	343.7	343.0	410	4,140
Mar	340.0	-1.0	342.5	339.3	541	6,246
May	338.3	-1.5	338.5	338.1	54	2,358
Aug	334.5	-1.3	335.6	333.5	21	883
Oct	325.7	-0.8	328.1	326.1	37	850
Total					1,838	25,713

■ SUGAR '11' CSCE (112,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Oct	11.64	-0.09	11.80	11.61	3,069	71,691
Mar	11.34	-0.08	11.45	11.33	1,780	43,037
May	11.10	-0.09	11.20	11.10	711	16,725
Jul	10.85	-0.07	10.88	10.85	477	13,339
Oct	10.70	-0.04	10.75	10.67	22	6,907
Mar	10.54	-0.04	10.56	10.55	-	766
Total					6,059	152,740

■ COTTON NYCE (50,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Oct	72.08	-0.45	72.65	72.08	398	[illegible]
Dec	72.77	-0.44	73.30	72.75	2,434	31,511
Mar	74.13	-0.47	74.60	74.10	142	7,732
May	74.88	-0.45	75.25	74.95	30	3,030
Jul	75.55	-0.40	75.75	75.75	34	4,244
Oct	75.35	-0.65	76.00	76.00	1	1,042
Total					3,013	61,188

■ ORANGE JUICE NYCE (15,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Sep	113.30	+0.80	114.00	110.00	701	10,642
Nov	109.95	+0.20	111.00	107.80	199	3,945
Jan	109.75	+0.05	110.40	107.90	226	4,367
Mar	110.90	+0.30	111.00	109.00	94	855
May	112.40	-0.05	112.80	112.00	3	841
Jul	113.40	-0.05	113.00	113.00	1	171
Total					1,224	20,225

VOLUME DATA
Open interest and Volume data shown for contracts traded on COMEX, NYMEX, CBT, NYCE, CME, CSCE and IPE Crude Oil are one day in arrears. Volume & Open interest totals are for all traded months.

Minor Metals
European free market, from Metal Bulletin, $ per lb in warehouse, unless otherwise stated (last week's in brackets, where changed). Antimony: 99.6%, $ per tonne, 2,700-2,800 (2,650-2,800). Bismuth: min. 99.99%, tonne lots 3.30-3.70. Cadmium: min. 99.95%, 95-105 cents a pound. Cobalt: MB free market, 99.8%, 19.75-21.50 (20.00-21.75); 99.3%, 17.60-19.00 (18.00-19.00). Mercury: min. 99.99%, $ per 76 lb flask, 162-172. Molybdenum: drummed molybdic oxide, 3.10-3.30. Selenium: min 99.5%, 3.05-4.30 (3.05-4.40). Tungsten ore: standard min. 65%, $ per tonne unit (10kg) WO_3, cif, 45-55. Vanadium: min. 98%, cif, 2.98-3.08. Uranium: Nuexco exchange value, 15.50 (15.00).

INDICES

■ REUTERS (Base: 18/9/31=100)

Aug 6	Aug 5	month ago	year ago
1934.2	1935.6	2002.8	2198.8

■ CRB Futures (Base: 1967=100)

Aug 5	Aug 2	month ago	year ago
244.24	245.13	-	-

■ GSCI Spot (Base: 1970=100)

Aug 5	Aug 2	month ago	year ago
198.04	200.48	207.89	174.90

MEAT AND LIVESTOCK

■ LIVE CATTLE CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Aug	67.880	+1.425	67.925	66.050	9,885	17,140
Oct	70.550	+0.95	70.600	69.650	4,729	35,161
Dec	68.000	+0.6	68.150	67.500	2,787	20,422
Feb	65.825	+0.3	66.025	65.575	1,183	12,887
Apr	67.200	+0.25	67.300	66.950	592	4,870
Jun	65.575	+0.1	65.475	65.250	89	2,226
Total					19,198	98,469

■ LIVE HOGS CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Aug	61.775	+1.225	62.000	60.700	3,093	4,935
Oct	56.775	+1.2	56.850	55.575	3,047	14,441
Dec	57.100	+0.55	57.150	56.300	942	8,669
Feb	76.675	-0.075	76.800	76.350	246	2,655
Apr	74.575	-0.15	74.700	74.300	71	974
Jun	78.800	-0.025	78.800	78.400	69	1,004
Total					7,480	33,949

■ PORK BELLIES CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Aug	102.475	+2	102.475	102.475	1,482	3,266
Feb	89.425	+1.725	89.700	87.950	970	3,456
Mar	88.550	+1.2	89.350	87.450	196	362
May	87.400	+1.175	87.800	86.200	129	202
Jul	86.900	+0.4	86.500	85.100	39	42
Aug	83.475	+1.175	83.475	83.475	-	-
Total					2,817	7,330

LONDON TRADED OPTIONS

Strike price $ tonne — Calls — — Puts —

■ ALUMINIUM (99.7%) LME	Sep	Dec	Sep	Dec
1400	99	144	3	15
1500	26	77	29	47
1600	3	35	104	102

■ COPPER (Grade A) LME	Sep	Dec	Sep	Dec
1900	122	128	27	108
2000	63	86	66	163
2100	27	55	132	231

■ COFFEE LCE	Sep	Nov	Sep	Nov
1600	32	78	83	147
1650	22	59	123	161
1700	15	47	166	219

■ COCOA LCE	Sep	Dec	Sep	Dec
950	66	99	4	25
975	45	79	9	30
1000	29	69	18	45

■ BRENT CRUDE IPE	Aug	Sep	Aug	Sep
1900	65	-	16	54
1950	35	53	38	-
2000	17	36	70	-

LONDON SPOT MARKETS

■ CRUDE OIL FOB (per barrel)

		+or-
Dubai	$18.10-8.16	-0.005
Brent Blend (dated)	$19.55-9.58	-0.015
Brent Blend (Sep)	$19.48-9.51	-0.015
W.T.I.	$21.04-1.06x	-0.06

■ OIL PRODUCTS NWE prompt delivery CIF (tonne)

Premium Gasoline	$209-211	+2
Gas Oil	$181-182	-1
Heavy Fuel Oil	$94-96	
Naphtha	$192-194	+2
Jet fuel	$206-208	-2.5
Diesel	$184-186	-0.05

■ NATURAL GAS (Pence/therm)

Bacton (Sep)	13.60-13.75

Petroleum Argus. Tel. London (0171) 359 8792

■ OTHER

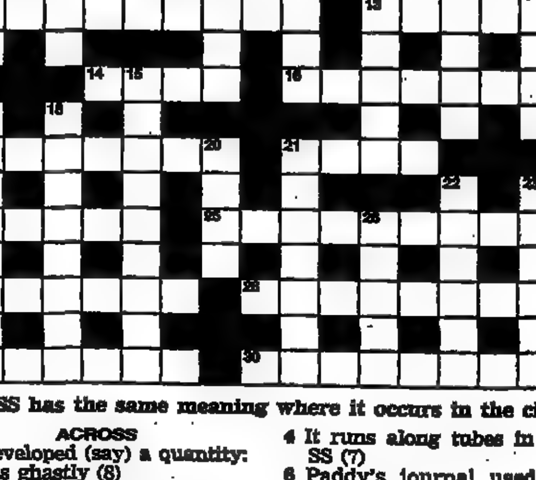
Gold (per troy oz)♣	$388.60	-0.60
Silver (per troy oz)♣	507.00c	-4.50
Platinum (per troy oz.)	$401.75	-1.75
Palladium (per troy oz.)	$128.00	-1.00
Copper	101.0c	
Lead (US prod.)	45.00c	
Tin (Kuala Lumpur)	15.07r	+0.02
Tin (New York)	283.50	-3.00
Cattle (live weight)	96.03p	-0.95*
Sheep (live weight)	102.51p	-6.29*
Pigs (live weight)†	105.96p	-0.70*
Lon. day sugar (raw)	$313.30	+1.60
Lon. day sugar (wte)	$370.60	+0.10
Barley (Eng. feed)	Unq	
Maize (US No3 Yellow)	$141.5x	
Wheat (US Dark North)	Unq	
Rubber (Jul)♥	89.00p	+0.25
Rubber (Aug)♥	89.00p	+0.25
Rubber (KL RSS No1)	525.00m	-1.0
Coconut Oil (Phil)§	792.5w	+2.5
Palm Oil (Malay.)§	$480.0	+7.5
Copra (Phil)§	$502.0w	
Soyabeans (US)	214.0	
Cotton Outlook'A' Index	77.20c	
Wooltops (64s Super)	420p	

£ per tonne unless otherwise stated. p pence/kg. c cents/lb. r ringgit/kg. m Malaysian cents/kg. x Sep. w Jul/Aug. z Aug/Sep ♥ London Physical. § CIF Rotterdam. ♣ Bullion market close. * Change on week. †Based on 3,995 head of pigs sold.

JOTTER PAD

CROSSWORD

No.9,140 Set by CINEPHILE

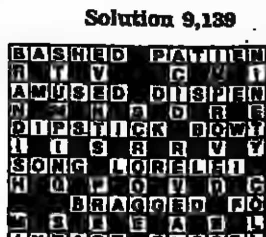


The SS has the same meaning where it occurs in the clues

ACROSS
1 Developed (say) a quantity: it's ghastly (8)
5 Correct support for the queen (6)
9 Snake a little time and distance from marina (4,4)
10 The longer route, by roller-coaster? (6)
12 Stick to the stock exchange for a social centre of course (9)
13 Pipeline end of the SS (5)
14 Remove skin from article and run about (4)
16 Writer returned by air in the SS (7)
19 Tree to bribe? (3,4)
21 Move spasmodically to get dried meat (4)
24 Love of the SS? (5)
25 Fill up again, backing wrongdoing in assistant (9)
27 Cloth, some of it turning grey (6)
28 Orders taken for first courses? (8)
29 Pole has a bit of a shock in the SS (6)
30 Arachne, a metamorphosed type of rock (8)

DOWN
1 Retire, having energy and support (2,4)
2 An American city of old taking precedence in the SS (6)
3 A musical dame, she started a legend (5)
4 It runs along tubes in the SS (7)
6 Paddy's journal used by Baker? (4,5)
7 Swinger gets what's best, final turn included (8)
8 Get ready with the calculator (8)
11 A bloody mood? (4)
15 Sweetbread for one's tea? (4,5)
17 Finds prisoners guilty (8)
18 Mournful sounding fellow follows scheme (8)
20 Impairs in the SS (4)
21 Jack to raise the matter before the queen in the SS (7)
22 Islands in lake: I intend to lose the lot (6)
23 Paper head of the SS (3,3)
26 Ground of the SS (5)

Solution 9,139



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FT MANAGED FUNDS SERVICE

Offshore Funds

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OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

BERMUDA (REGULATED)(**)

GUERNSEY (SIB RECOGNISED)

GUERNSEY (REGULATED)(**)

IRELAND (SIB RECOGNISED)

IRELAND (REGULATED)(**)

ISLE OF MAN (SIB RECOGNISED)

ISLE OF MAN (REGULATED)(**)

JERSEY (SIB RECOGNISED)

JERSEY (REGULATED)(**)

Offshore Funds and Insurances

FT MANAGED FUNDS SERVICE

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Perpetual UT Mngrs (Jersey) Ltd

	Selling Price	Buying Price	+ or -	Yield Gross
Offshore Am Gwth Fd	$11.0807	11.7538	—	-
Offshore Emerging Cos	$7.4716	7.9400	—	-
Offshore Far East Gwth Fd	$4.8886	5.3131	—	-
Offshore Intl Gwth Fd	$5.9180	6.3741	—	-
Offshore Japanese Gwth Fd	$1.2744	1.3544	—	-
Offshore UK Growth Fd	$3.7268	3.9603	—	-
Offshore Asia Smaller Mkts	$1.7164	1.8241	—	-
Offshore Latin Amer Growth	$1.0797	1.1474	—	-
Offshore European Gwth Fd	$2.5616	2.7223	—	-
Offshore Global Bond	$0.9948	1.0050	—	-
Offshore Global Bond Acc	$1.1424	1.1901	—	-

The Portugal Fund Limited

Lloyds Bank International (Jersey) Limited

NAV Aug 2	$7.10		—	-

Royal Bk of Scotland Fd Mngrs (Jersey) Ltd

Ivory Growth Fund	£22.84	23.08	—	1.73
Lowes Aggressive Portfolio	£10.47	11.00	—	-
Lowes Defensive Pfolio	£11.8	12.40	—	-
Lowes Collective Pfolio Ltd	£11.19	11.74	—	-

For Schroder see Kemp Gee ade Hamburg

TSB Fund Managers (CI) Ltd

TSB Island Pension	718.5	756.4	-1.1	-
Island Equity Acc	128.1	132.8	+0.1	-

WMB Asset Management (Jersey) Ltd

Plus 500 Ex Mkt Dollar equity	$1000.61	1000.75	—	-

Worldinvest (Managers) Jersey Ltd

Worldinvest Inc Fd †	£257.44	258.74	—	5.81
Excelle Global Eqty 5 *	$79.58	79.99	+2.04	-
Excelle Stg Global Fixed Inc*	£11.95	12.02	+0.22	4.84

Valued weekly * Mondays. † Wednesdays.

LUXEMBOURG (SIB RECOGNISED)

ABN AMRO Funds (u)

E.T. Investment Management Ltd

13 Rue Goethe, BP 413, Luxembourg 00 352 404646217

	Init Charge	Selling Price	Buying Price	+ or -	Yield Gr's
Established 1st Aug 2		$2.51		+0.05	-

Eigistan Global SICAV (u)

13 Rue Goethe, L-1637, Luxembourg 00 352 404646213

Equity Portfolio Aug 1		$2.236		+0.028	-
Reserve Portfolio Aug 1		$2.078		+0.009	-

EquiFund—Wright National Eqty Fd (u) (x)

14 rue Aldringen, L-1118 Lux 00 352 479 96900

Australasian Nat		A$16.81	15.97	—	-
Austrian Nat Equity		Sch65.53	88.19	—	-
Belgium/Lux Nat Eqty		BFr734	742	—	-
French Nat Equity		FFr128.43	129.73	—	-
German Nat Equity		DM17.38	17.46	—	-
Dutch Nat Equity		Dfl37.00	37.38	—	-
Italian Nat Equity		L11909	12023	—	-
Japanese Nat Equity		Y1322	1336	—	-
Hong Kong Nat Equity		HK$116.00	117.16	—	-
Spanish Nat Equity		Pta1190	1202	—	-
UK Nat Equity		£10.30	10.40	—	-
United States Dlr Res		$10.95		—	-

Fidelity Funds (u)

Kansallis Hse, Place de L'Etoile, L-1021 Lux BP 2174

UK-01732 777377 Lux-00 352 250 404 1230

Major Market Funds

America		$2.247		+0.012	-
Europe		DM4.525		+0.005	-
International		$16.20		+0.06	-
Japan		Y137.7		+0.4	-
Pacific		$9.100		+0.077	-
South East Asia		$2.744		+0.034	-

Country Select Funds

ASEAN		$21.44		+0.29	-
Asian Special Situations		$10.73		+0.12	-
Australia		A$15.25		+0.17	1.38
Emerging Markets		$8.507		+0.015	-
European Smr Cos F		DM12.42		+0.04	-
France		FFr82.48		-0.37	-
Germany		DM19.75		+0.08	-
Hong Kong		$44.03		+0.42	0.86
Iberia		Pta1763		-3	-
Indonesia		$10.10			-
Italy		L14361		+23	-
Japan Smllr Cos		Y7122		-1	-
Korea F		$8.590		-0.005	-
Latin America		$8.414		+0.005	0.54
Malaysia		$32.95		+0.37	-
Nordic		SKr164.1		+0.3	-

[illegible]

LUXEMBOURG (REGULATED)(**)

[illegible]

OFFSHORE INSURANCES

[illegible]

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FT MANAGED FUNDS SERVICE

Offshore Insurances and Other Funds

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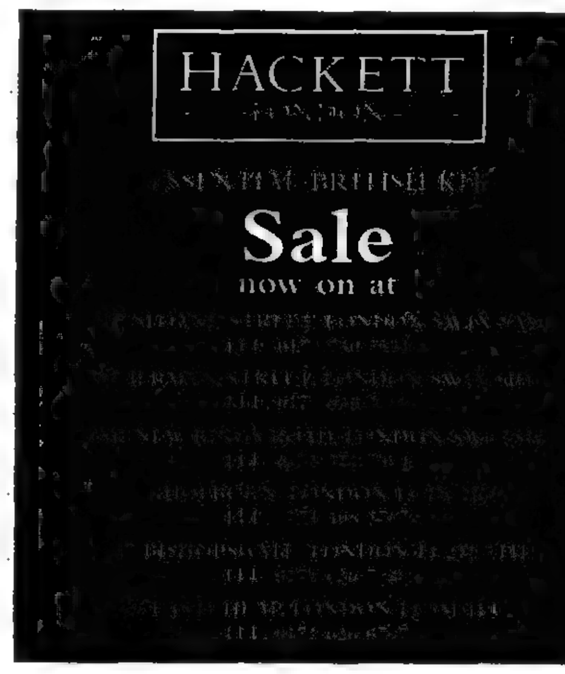

OTHER OFFSHORE FUNDS

LONDON SHARE SERVICE

ALCOHOLIC BEVERAGES

BANKS, MERCHANT

BANKS, RETAIL

BREWERIES, PUBS & REST

BUILDING & CONSTRUCTION

BUILDING MATS. & MERCHANTS

CHEMICALS

CHEMICALS - Cont.

DISTRIBUTORS

DIVERSIFIED INDUSTRIALS

ELECTRICITY

ELECTRONIC & ELECTRICAL EQPT

ELECTRONIC & ELECTRICAL EQPT - Cont.

ENGINEERING

ENGINEERING - Cont.

ENGINEERING, VEHICLES

EXTRACTIVE INDUSTRIES

EXTRACTIVE INDUSTRIES - Cont.

FOOD PRODUCERS

FOOD PRODUCERS - Cont.

GAS DISTRIBUTION

HEALTH CARE

HOUSEHOLD GOODS

HOUSEHOLD GOODS - Cont.

INSURANCE

INVESTMENT TRUSTS

INVESTMENT TRUSTS - Cont.

INV TRUSTS SPLIT CAPITAL

مكبرا من الاصل

INV TRUSTS SPLIT CAPITAL - Cont.

[illegible]

OTHER INVESTMENT TRUSTS

[illegible]

INVESTMENT COMPANIES

[illegible]

LEISURE & HOTELS

[illegible]

LEISURE & HOTELS - Cont.

[illegible]

LIFE ASSURANCE

[illegible]

MEDIA

[illegible]

OIL EXPLORATION & PRODUCTION

[illegible]

OIL, INTEGRATED

[illegible]

OTHER FINANCIAL

[illegible]

OTHER FINANCIAL - Cont.

[illegible]

PAPER, PACKAGING & PRINTING

[illegible]

PHARMACEUTICALS

[illegible]

PROPERTY

[illegible]

PROPERTY - Cont.

[illegible]

RETAILERS, FOOD

[illegible]

RETAILERS, GENERAL

[illegible]

RETAILERS, GENERAL - Cont.

[illegible]

SUPPORT SERVICES

[illegible]

SUPPORT SERVICES - Cont.

[illegible]

TELECOMMUNICATIONS

[illegible]

TEXTILES & APPAREL

[illegible]

TOBACCO

[illegible]

TRANSPORT

[illegible]

WATER

[illegible]

AIM

[illegible]

AIM - Cont.

[illegible]

AMERICANS

[illegible]

CANADIANS

[illegible]

SOUTH AFRICANS

[illegible]

GUIDE TO LONDON SHARE SERVICE

Prices for the London Share Service delivered by FT Extel, a member of the Financial Times Group.

Company classifications are based on those used for the FT-SE Actuaries Share Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid-prices over a rolling 52 week period.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Earnings used in calculations are based on IIMR 'Headline Earnings' formula.

Price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures.

Yields are based on mid-prices, are gross, adjusted for a dividend tax credit of 20 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- * Highs and lows marked thus have been adjusted to allow for capital changes
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ♦ Figures or report awaited
- ♥ Rule 2.1(a)(v) Overseas incorporated companies listed on an approved exchange.
- ♣ Free annual/interim report available, see details below.
- ✤ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Rule 4.2(a) Irish incorporated non-listed companies.
- § Price at time of suspension
- ¶ Indicated dividend yield after pending scrip and/or rights issue
- ♦ Merger bid or reorganisation in progress
- § Forecast dividend yield; p/e based on earnings updated by latest interim statement.
- ♠ Unregulated collective investment scheme

a Yield based on annualised dividend
b Figures based on prospectus or other official estimates.
c Assumed dividend [illegible]
[illegible]
yield, p/e ratio based on latest annual earnings
e Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings
z Dividend yield includes a special payment

F Yield based on prospectus or other official estimates for 1996-97
G Assumed yield after pending scrip and/or [illegible]
[illegible]
yield, p/e based on latest annual earnings.
M Yield based on prospectus or other official estimates for 1995-96
Dividend is paid in whole or part as a [illegible]

FD (Foreign Income Dividend)
R Forecast annualised yield, p/e based on prospectus or other official estimates [illegible]

Abbreviations:
xd ex dividend;
xc ex scrip issue;
xr ex rights;
xa ex all;
xcd ex capital distribution.

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1350 a year for each security shown, subject to the Editor's discretion

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An international service is available for callers outside the UK, annual subscription £250 stg.
Call 0171 873 4378 for more information on FT Cityline.
For readers phoning from outside UK, please dial +44 in place of the first 0.
The share prices printed on these pages are also available on the internet at http://www.FT.com.

LONDON STOCK EXCHANGE

MARKET REPORT

Results and buy-back help ailing Footsie

By Philip Coggan, Markets Editor .

The FT-SE 100 index's recent rally ran out of steam yesterday despite another set of decent corporate results and a £470m share buy-back from Barclays Bank.

A late rally just allowed the leading index to record its fifth successive daily gain, but the rise was a measly 0.1 to 3,788.4. The FT-SE Mid-250 index managed a 5.1 point increase to 4,293.5.

After better-than-expected figures from HSBC and Pearson on Monday, it was the turn of British Petroleum and Barclays to please the market. Shares in the latter turned the best Footsie performance, helped by the effect of the bank's third buy-back programme in recent times. Much of the rest of the sector got a lift from Barclays' performance.

The main disappointment came from Zeneca, the pharmaceuticals group, where profits were in line with expectations but the company was cautious about cost pressures in the second half. The group also once again played down merger hopes.

Mr Richard Jeffrey, Charterhouse group economist, said "broadly speaking, the results season has been towards the upper end of expectations. There have been exceptions but mainly in the smaller company area."

Yesterday's corporate news held up the market in the face of a weak opening on Wall Street, where the Dow Jones Indusrial Average was 16 points lower at the close of London trading. Investors were also inclined to be cautious ahead of the publication today of the Bank of England's inflation report, which is expected to argue that interest rate cuts would damage the chances of meeting the government's inflation target.

Short sterling futures, the market's vehicle for speculating on rates changes, are looking for base rates to remain at 5.75 per cent until the end of the year and then to increase to 6 per cent by March 1997.

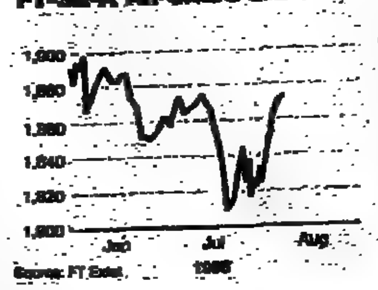
Footsie was in the red for much of the session and, at its worst, was 12.9 points down at 3,775.4. But gilts remained supportive, with the benchmark 10 year issue around three ticks ahead by the close of trading.

The mystery of Monday's reported 666m trade in Just Group, an AIM-quoted stock, was unsolved. The trade was obviously an error, since it represented more than five times the company's market capitalisation. But by yesterday morning, the trade had disappeared from the Topic news screens as efficiently as photographs of Trotsky vanished from Soviet history books in the Stalin era.

Two perplexing questions arise from the affair. How did a trade equal to more than half the exchange's daily turnover (in terms of number of shares) get reported without any apparent attempt to check the figure? And how did it disappear again without any explanation?

Volume yesterday was 774m shares by the 6pm count, including 123m in Barclays. The value of customer business on Monday was £1.38bn.

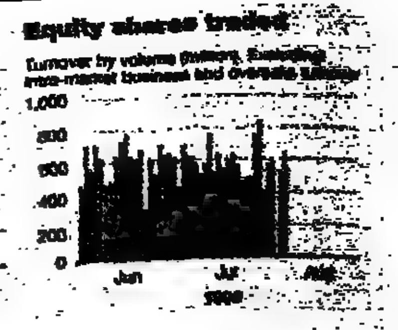
FT-SE-A All-Share Index



Source: FT Extel.

Equity shares traded

Turnover by volume (million). Excluding: intra-market business and overseas turnover



Indices and ratios

FT-SE 100	3788.4	–0.1
FT-SE Mid 250	4293.5	+5.1
FT-SE-A 350	1895.6	+0.5
FT-SE-A All-Share	1873.16	+0.88
FT-SE-A All-Share yield	3.92	3.90
FT Ordinary index	2770.3	–4.8
FT-SE-A Non Fins p/e	16.84	16.87
FT-SE 100 Fut Sep	3797.0	–2.0
10 yr Gilt yield	7.76	7.77
Long gilt/equity yld ratio	2.08	2.09

Best performing sectors

1 Engineering : Vehicles .... +1.1
2 Banks : Retail .... +1.1
3 Electricity .... +0.8
4 Water .... +0.7
5 Media .... +0.7

Worst performing sectors

1 Pharmaceuticals .... –1.2
2 Electronic & Elec .... –1.1
3 Tobacco .... –1.1
4 Extractive Inds .... –0.8
5 Consumer Goods .... –0.8

Buyback boost for Barclays

Banking stocks were the toast of the market, as better than expected figures from Barclays served to whet the appetite of institutional investors for the sector.

Barclays became the latest retail banking group to report bumper figures when it revealed interim profits of £1.036bn, atthe top end of market expectations. The market was also cheered by a bigger than anticipated share buy-back of 55m at 855p a share, its third in a year.

Shares in the group were the day's best performer in the Footsie after they jumped 27¼ to 872½p, an all time high for the stock, as turnover soared to 123m, its highest ever daily total.

Brokers moved to upgrade full year profit expectations from around £2.2bn to around the £2.5bn mark, while the bulls of the stock pencilled in a target share price of 1,000p a share within the next six months.

The team at Credit Lyonnais are among the biggest fans of the stock and said: "Barclays has the prudent capacity to buy 100m shares a year for at least the next two years."

Dealers suggested some investors had reinvested the proceeds from the sale of Barclays stock into other issues in the sector, while others pointed to a shortage of stock prompted by the new interest in banks. All of which saw banking stocks command the top five positions among the day's best performers.

Abbey National and Standard Chartered, both of which are expected to report favourable interim figures today, were among the favoured issues. The former put on 16 to 601p, while the latter gained 19 to 712p.

Also in demand was Bank of Scotland. Shares rose 7¼ to 247p, after a busy session that brought volume of 11m. Lloyds TSB improved 10¼ to 352p in strong volume. Turnover in stock was 9.4m.

HSBC was the one stock out of step with the sector. Active profit-taking, together with the availability of a large line of stock, saw HSBC surrender some of the strong gains notched up on Monday following better-than-expected figures.

The shares fell 26 to 1138p with several analysts pointing out the stock had outperformed the market by around 25 per cent over the last three months.

Following the figures, Nikko Securities is among those in the cautious camp and has a "hold" recommendation on the stock. In a note to investors, the broker said its caution was due to "the likely market concerns about political risks in the run up to 1997, perennial concerns about the low bad debt charge, and the recent share price appreciation."

However, the general tone among other brokers remains positive and NatWest Securities believes, "the rating is too low in an international context and sentiment should be boosted by a more stable bond market background."

Christian Salvesen fell steeply in record trading volume after rival contract distribution group Hays increased and then withdrew its takeover offer in the face of Salvesen's rejection.

The shares closed off 46½ at 304½p, in turnover of 8.3m, as a number of long positions in Salvesen were said to have been shaken out by the demise of the Hays bid. The selling was savage at times, but brokers said the stock looked to have found a floor.

The shares stood at 260p at the end of June just prior to the bid announcement. "Salvesen's own attempts to redirect shareholder value are supplying a level of underpinning", said one analyst. Hays ended 3 better at 435p.

A denial from pharmaceuticals group Zeneca that it has held merger talks prompted a reversal in the stock, in spite of figures at the top end of market expectations.

The shares fell 20 to 1431p, with volume reaching 1.4m. Dealers also suggested there was concern about the group's ability to sustain current profitability.

Hopes for some good news on housing starts, plus a revival of takeover talk, got behind a number of builders' merchants.

According to brokers, anecdotal evidence from the sector suggests that housing starts in July have turned upwards. The latest numbers from the National House-building Federation are due shortly, and some brokers are betting on a year-on-year gain of more than 10 per cent.

The prospect of a boost to materials demand got behind Wolseley, which put on 7 to 442p for a two-day rise of 5 per cent. Meyer International, up 7 on Monday, added 10 to 372p with the aid of renewed bid rumours.

These last surfaced in April when they sent Meyer up from 390p to 460p in three weeks. Yesterday, a quick straw poll suggested that most brokers were sceptical about a bid.

Strong results from Mayflower helped keep sentiment among motor engineers upbeat ahead of today's figures from sector leader GKN.

Mayflower jumped more than 7 per cent, adding 9 to 125p and Laird Group put on 6 to 455p. GKN gained 15 to 1028p for a two-day advance of 21. "Tomorrow will be the company's big chance to live up to some of its recent contra-cyclical claims", said one analyst yesterday.

The recent uptick for property shares sparked selective "take profits" advice yesterday with NatWest Securities recommending that clients reduce holdings in Land Securities.

A number of brokers have turned more positive on the sector lately and certain stocks have seen steady buying. Land Securities has risen more than 10 per cent since the middle of July. The shares came off 8 to 676p yesterday in above average volume of 2.4m.

British Land, one of three mature investment stocks favoured by a recent upbeat note from Panmure Gordon, retreated 3 to 448p. Hammerson added 4 to 388p.

Sears, which fell 2 to 97p, was the most heavily traded share in the FT-SE Mid-250 index, on volume of 15m, thanks to an agency cross.

Kingfisher fell 8 to 625p with analysts attributing the movement to media reports that the group is to slash bonuses at its B & Q stores because they will be too high. One analyst said the fear could be that profits were being handed over to staff, not shareholders.

A recent note from Kleinwort Benson, forecasting that wholesale beer prices are unlikely to rise in the near future, helped pub operators. Greenalls rose 3 to 567p and J.D. Wetherspoon added 15 to 915p.

Profit-taking continued at Cadbury Schweppes, which fell 9 to 520p, as speculation died down that it could be a takeover target.

FINANCIAL TIMES EQUITY INDICES

	Aug 6	Aug 5	Aug 2	Aug 1	Jul 31	Yr ago	*High	*Low
Ordinary Share	2770.3	2775.1	2772.4	2748.2	2718.8	2600.6	2885.2	2668.5
Ord. div. yield	4.10	4.10	4.10	4.14	4.18	4.11	4.22	3.76
P/E ratio net	16.33	16.34	16.33	16.20	16.03	15.73	17.28	15.80
P/E ratio nil	16.17	16.18	16.17	16.03	15.87	15.43	17.03	15.71

Ordinary Share index since compilation: high 2885.2 10/04/96: low 49.4 26/06/40. Base Date: 1/7/35.

Ordinary Share hourly changes

Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.00	High	Low
2773.3	2768.2	2767.3	2768.4	2768.2	2768.5	2769.1	2770.4	2769.8	2773.9	2764.5

	Aug 6	Aug 5	Aug 2	Aug 1	Jul 31	Yr ago
SEAQ bargains	31,412	33,461	33,225	29,980	27,808	23,559
Equity turnover (£m)†	–	1390.3	1830.4	1638.3	1856.7	1396.9
Equity bargains†	–	39,081	36,512	31,575	33,718	34,847
Shares traded (ml)†	–	507.0	635.6	512.7	588.6	586.5

†Excluding intra-market business and overseas turnover.

	Aug 6	Aug 5	Aug 2	Aug 1	Jul 31	Yr ago	*High	*Low
FT-SE AIM	1048.00	1045.20	1040.80	1044.10	1046.40	–	1149.49	965.70

*For 1996.

London market data

Rises and falls*		52 Week highs and lows		LIFFE Equity options	
Total Rises	703	Total Highs	97	Total contracts	43,690
Total Falls	442	Total Lows	36	Calls	21,134
Same	1,567			Puts	22,556

Aug 6 *Data based on Equity shares listed on the London Share Service.

FUTURES AND OPTIONS

■ FT-SE 100 INDEX FUTURES (LIFFE) £25 per full index point (APT)

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	3790.0	3796.0	-3.0	3799.0	3778.0	8781	58972
Dec	3805.0	3817.0	-3.0	3805.0	3805.0	1	2588
Mar	3814.0	3825.0	+13.5	3814.0	3814.0	70	240

■ FT-SE MID 250 INDEX FUTURES (LIFFE) £10 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep		4282.0	+5.0			0	3491

■ FT-SE 100 INDEX OPTION (LIFFE) (*3787) £10 per full index point

	3600 C	3600 P	3650 C	3650 P	3700 C	3700 P	3750 C	3750 P	3800 C	3800 P	3850 C	3850 P	3900 C	3900 P	3950 C	3950 P
Aug	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sep	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Oct	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Nov	241½	39	203	50	165½	62	134	79½	103	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Dec†	281	50½			181½	79½			130	[illegible]			[illegible]	[illegible]		

Calls 4,353 Puts 4,492

■ EURO STYLE FT-SE 100 INDEX OPTION (LIFFE) £10 per full index point

	3625 C	3625 P	3675 C	3675 P	3725 C	3725 P	3775 C	3775 P	3825 C	3825 P	3875 C	3875 P	3925 C	3925 P	3975 C	3975 P
Aug	164	2½	116½	5	72	10½	35½	23½	13	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sep	186½	15½	145	25	107½	37	75	54½	48	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Oct	202½	28½	164	39½	128	53½	98	72½	73	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Dec	248	58½			178½	86½			117½	[illegible]			[illegible]	[illegible]		
Mar†	286	92			230½	123			186½	[illegible]			[illegible]	[illegible]		

Calls 6,640 Puts 12,254 * Underlying index value. Premiums shown are based on settlement prices. † Long dated expiry months.

LONDON RECENT ISSUES: EQUITIES

Issue price p	Amt paid up	Mkt. cap (£m.)	1996 High	1996 Low	Stock	Close price p	+/-	Net div.	Div. cov.	Grs yld	P/E net
§70	F.P.	15.4	76	72	†AND Intl	72		-	-	-	-
§60	F.P.	9.16	56	33	†Alizyme	53	+2	-	-	-	-
§	F.P.	205.0	235	228	Allied Carpets	234	+6	-	-	-	20.3
§215	F.P.	214.4	233	215	Atkins WS	233	+2	L6.8	2.4	3.1	18.8
§125	F.P.	40.4	135	123	†BATM Adv Comms	130		-	-	-	-
100	P.P.	1,410	103½	89	British Energy	103½	+1	F13.7	-	8.5	-
§71	F.P.	13.4	91	78	†Digital Animations	91	+6	-	-	-	-
§145	F.P.	31.1	153	145	†Elec Retail Sys	149		-	-	-	-
§	F.P.	2.82	53	41	†Fayrewood	49		-	-	-	-
165	F.P.	4.12	182	169	†HIT Entm	167		-	-	-	60.7
§68	F.P.	2.78	66	53	†Hat Pin	66		†2.72	2.0	5.4	11.6
§100	F.P.	24.2	98	94	Hoare Gvt 1000 C	97		-	-	-	-
§12	F.P.	0.70	15	12	†Life Numbers	14	-1	-	-	-	-
§	F.P.	0.19	6	2	†Life Numbers Wts	6		-	-	-	-
§	F.P.	0.26	1½	1	†Lotteryking Wts	1½		-	-	-	-
-	F.P.	1.25	19	17	NECA	17		-	-	-	-
§170	F.P.	33.3	187½	164	Plasmon	175	+1	-	-	-	27.1
-	F.P.	0.38	2	1½	†Pordum Foods Wts	1¾		-	-	-	-
§105	F.P.	28.9	116	105½	Robert Walters	117	+1	L2.0	3.8	2.1	14.9
§140	F.P.	18.5	156	161	†SCI Ent	158	+2	-	-	-	-
§100	F.P.	60.2	96	91	Schroder Em Cos	92	+½	-	-	-	-
§	F.P.	6.10	35½	31	Schroder Em Wts	35	+½	-	-	-	-
-	F.P.	36.9	355	349	Schroder Em Ot C	354		-	-	-	-
§66	F.P.	13.3	70	66	†Selector	66		-	-	-	-
§525	F.P.	101.5	525	472	Therap'tic Antibd	474		-	-	-	-
§134	F.P.	23.5	170	143	†UNO	166		-	-	-	39.6
-	F.P.	4.83	135	120	†West 175 Entn	125		-	-	-	-
-	F.P.	5.23	12	9	†Xavier Computer	10		-	-	-	-

† Alternative Investment Market. § Placing price. * Introduction. For a full explanation of all other symbols please refer to The London Share Service notes.

FT GOLD MINES INDEX

	Aug 5	% chg on day	Aug 2	Year ago	Gross div yield %	P/E ratio	52 week High	52 week Low
Gold Mines Index(31)	2074.01	+1.7	2040.21	2014.14	1.63	-	2320.73	1722.65
■ Regional indices								
Africa (13)	2775.96	+3.8	2688.19	2633.72	2.92	38.73	3553.66	2272.74
Australasia (7)	2344.94	+1.3	2314.90	2489.70	2.42	22.43	2927.34	2123.50
North America (11)	1840.19	+1.2	1817.95	1712.82	0.72	56.76	2186.39	1488.94

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FT - SE Actuaries Share Indices — The UK Series

	Aug 6	Day's chge%	Aug 5	Aug 2	Aug 1	Year ago	Div. yield%	Net cover	P/E ratio	Xd adj. ytd	Total Return
FT-SE 100	3788.4	—	3788.3	3770.8	3734.4	3468.8	4.11	2.10	14.48	113.82	1560.86
FT-SE Mid 250	4293.5	+0.1	4288.4	4265.7	4243.0	3857.9	3.51	1.61	22.20	121.74	1735.99
FT-SE Mid 250 ex Inv Trusts	4325.9	+0.2	4319.2	4298.2	4277.8	3873.2	3.60	1.64	21.14	128.52	1752.58
FT-SE-A 350	1895.6	—	1895.1	1886.0	1869.6	1728.9	3.99	2.00	15.65	56.28	1596.29
FT-SE-A 350 Higher Yield	1830.6	–0.2	1834.3	1823.8	1809.6	1722.0	5.27	1.91	12.40	71.74	1294.45
FT-SE-A 350 Lower Yield	1958.0	+0.2	1953.2	1955.5	1936.9	1739.2	2.80	2.16	20.65	41.24	1357.96
FT-SE SmallCap	2108.04	+0.3	2100.18	2094.10	2085.99	1937.97	3.14	1.69	23.50	42.12	1736.43
FT-SE SmallCap ex Inv Trusts	2097.94	+0.3	2091.37	2087.80	2081.22	1914.00	3.37	1.77	20.93	44.34	1740.99
FT-SE-A ALL-SHARE	1873.16	—	1872.28	1863.56	1848.04	1709.28	3.92	1.89	18.06	54.22	1601.50

■ FT-SE Actuaries All-Share

	Aug 6	Day's chge%	Aug 5	Aug 2	Aug 1	Year ago	Div. yield%	Net cover	P/E ratio	Xd adj. ytd	Total Return
10 MINERAL EXTRACTION(24)	3541.63	+0.3	3530.89	3505.94	3479.40	2929.40	3.84	1.80	18.11	79.25	1525.94
12 Extractive Industries(6)	4106.18	–0.8	4140.89	4121.75	4125.25	4051.98	3.91	2.52	12.70	109.19	1208.32
15 Oil, Integrated(3)	3634.75	+0.5	3616.31	3588.36	3554.44	2914.63	4.02	1.69	18.48	81.84	1806.17
16 Oil Exploration & Prod(15)	2524.91	+0.3	2517.83	2505.48	2495.47	2021.46	2.07	1.55	38.96	34.94	1620.71
20 GEN INDUSTRIALS(276)	1985.78	—	1986.52	1977.01	1970.74	1995.00	4.36	1.84	15.56	53.39	1094.01
21 Building & Construction(34)	1129.37	+0.2	1126.76	1123.09	1125.41	982.37	3.67	1.69	20.13	23.05	949.15
22 Building Matls & Merchs(28)	1847.32	+0.5	1837.57	1821.89	1814.04	1841.88	4.14	1.71	17.62	47.61	939.94
23 Chemicals(25)	2381.29	+0.1	2378.58	2371.99	2366.14	2506.04	4.24	1.61	18.24	62.26	1136.62
24 Diversified Industrials(19)	1503.86	–0.3	1508.23	1493.99	1492.38	1817.47	6.92	1.69	10.66	57.26	849.53
25 Electronic & Elect Equip(37)	2305.49	–1.1	2333.26	2324.99	2309.35	2028.78	3.38	1.65	22.38	56.61	1212.53
26 Engineering(71)	2417.80	—	2418.51	2410.65	2403.36	2089.13	3.32	2.43	15.45	52.83	1479.01
27 Engineering, Vehicles(14)	3056.94	+1.1	3022.37	3005.58	2969.99	2478.78	3.44	1.99	18.30	73.79	1598.41
28 Paper, Pckg & Printing(26)	2582.22	+0.2	2577.51	2573.63	2581.06	3139.54	3.99	1.89	15.77	64.19	1084.78
29 Textiles & Apparel(19)	1263.72	–0.7	1272.82	1278.10	1268.27	1674.35	5.60	1.58	14.16	42.36	780.21
30 CONSUMER GOODS(81)	3602.63	–0.8	3632.15	3621.40	3574.98	3300.05	3.91	1.94	16.49	87.34	1340.36
32 Alcoholic Beverages(6)	2778.85	–0.4	2789.15	2784.84	2753.87	2779.64	4.54	1.62	17.00	81.65	1016.04
33 Food Producers(24)	2509.68	–0.6	2525.78	2525.24	2501.71	2570.88	4.15	1.85	16.29	70.29	1144.87
34 Household Goods(15)	2545.21	+0.6	2530.72	2525.61	2537.27	2892.15	3.91	2.15	14.87	89.05	977.71
36 Health Care(20)	2016.26	–0.2	2020.49	2016.18	2012.36	1899.07	2.88	2.15	21.64	35.06	1232.29
37 Pharmaceuticals(13)	5275.29	–1.2	5337.13	5298.10	5212.41	4214.97	3.20	2.06	18.91	91.73	1795.47
38 Tobacco(1)	4303.21	–1.1	4349.80	4379.45	4307.44	4396.39	6.09	2.06	9.99	156.16	1080.93
40 SERVICES(252)	2487.04	—	2487.37	2480.55	2460.16	2160.27	2.95	1.89	22.43	55.68	1303.95
41 Distributors(31)	2720.43	+0.2	2715.12	2716.54	2691.92	2694.21	3.21	1.74	22.31	54.16	1009.57
42 Leisure & Hotels(24)	3125.10	—	3123.96	3123.31	3098.98	2470.12	2.79	1.94	23.07	154.36	1589.63
43 Media(45)	4115.94	+0.7	4087.95	4078.50	4048.00	3226.25	2.23	1.84	30.42	69.65	1495.42
44 Retailers, Food(14)	1995.75	–0.1	1997.59	1995.42	1970.80	2159.00	3.84	2.32	14.05	48.71	1280.79
45 Retailers, General(43)	2074.78	–0.5	2084.92	2068.20	2053.84	1777.48	3.04	2.13	19.31	47.32	1187.07
47 Breweries, Pubs & Rest.(24)	3097.72	–0.3	3108.06	3098.43	3088.54	2652.99	3.31	1.98	19.06	87.05	1501.49
48 Support Services(40)	2389.91	–0.7	2400.80	2404.80	2385.31	1726.76	1.96	2.28	28.09	33.02	1625.50
49 Transport(22)	2375.73	+0.1	2373.22	2377.03	2356.58	2335.50	4.00	0.83	33.66	66.33	998.94
60 UTILITIES(36)	2305.72	+0.4	2296.62	2286.76	2281.73	2490.52	5.54	1.99	11.32	161.55	1023.61
62 Electricity(11)	2432.75	+0.8	2414.56	2399.34	2392.14	2576.27	6.67	2.48	7.56	404.44	1303.99
64 Gas Distribution(2)	1300.42	–0.7	1310.02	1313.22	1316.42	1906.45	9.21	1.36	9.99	66.67	822.08
66 Telecommunications(6)	1951.74	+0.4	1944.57	1926.44	1922.94	2065.62	4.15	1.73	17.41	50.20	906.49
68 Water(12)	2196.24	+0.7	2180.66	2162.21	2158.34	2075.66	6.01	2.36	8.81	96.50	1239.80
69 NON-FINANCIALS(686)	1973.12	–0.1	1975.06	1967.22	1953.01	1834.84	3.91	1.90	16.84	58.10	1514.55
70 FINANCIALS(104)	3045.02	+0.7	3023.16	3001.98	2982.25	2526.36	4.29	2.44	11.95	89.65	1326.31
71 Banks, Retail(9)	4339.28	+1.1	4291.65	4268.01	4190.95	3396.85	4.14	2.69	11.23	131.84	1436.27
72 Banks, Merchant(6)	3476.00	+0.4	3461.49	3463.82	3438.30	3643.17	2.85	2.50	17.58	63.39	1109.33
73 Insurance(22)	1464.95	+0.4	1458.99	1442.63	1436.01	1384.05	5.64	2.57	8.64	49.20	1111.55
74 Life Assurance(6)	3484.87	–0.2	3491.28	3457.98	3481.38	2772.26	4.29	2.24	13.02	100.72	1460.88
77 Other Financial(21)	2524.06	+0.3	2516.84	2489.57	2474.84	2201.14	4.15	1.82	16.59	68.15	1452.63
79 Property(41)	1588.74	—	1588.92	1583.01	1545.39	1486.03	4.02	1.25	24.90	39.90	989.24
80 INVESTMENT TRUSTS(126)	3107.70	–0.1	3109.71	3083.59	3056.60	2921.48	2.27	1.11	49.36	45.52	1091.08
89 FT-SE-A ALL-SHARE(896)	1873.16	—	1872.28	1863.56	1848.04	1709.28	3.92	1.89	18.06	54.22	1601.50
FT-SE-A Fledgling	1219.13	+0.1	1218.02	1212.89	1207.97	1036.72	2.81	2.37	18.75	21.04	1281.70
FT-SE-A Fledgling ex Inv Trusts	1233.40	+0.1	1232.14	1227.47	1228.17	1029.26	3.01	2.65	16.26	22.75	1297.43

■ Hourly movements

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	High/day	Low/day
FT-SE 100	3783.1	3777.3	3782.2	3780.9	3784.0	3784.5	3783.9	3788.6	3787.7	3791.4	3775.4
FT-SE Mid 250	4292.6	4291.6	4291.0	4289.8	4291.2	4294.2	4295.1	4293.7	4292.8	4296.1	4289.0
FT-SE-A 350	1893.4	1891.0	1892.9	1892.3	1893.6	1894.1	1893.9	1894.9	1895.2	1896.9	1890.1

Time of FT-SE 100 Day's high: 2.45 PM Day's low: 9.20 AM. FT-SE 100 1996 High: 3857.1 (19/04/96) Low: 2954.2 (23/01/96).

■ FT-SE Actuaries 350 Industry baskets

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	Close	Previous	Change
Bldg & Cnstrcn	1118.3	1118.8	1119.7	1119.0	1118.6	1119.3	1119.2	1119.1	1119.6	1120.0	1117.2	+2.8
Pharmaceuticls	5221.4	5217.2	5203.8	5206.9	5197.3	5197.5	5198.2	5197.0	5205.2	5206.3	5268.4	–62.1
Water	2173.8	2174.2	2176.0	2176.2	2176.1	2176.0	2177.8	2179.4	2183.6	2183.6	2167.8	+15.8
Banks, Retail	4336.0	4337.9	4365.4	4385.2	4375.9	4370.8	4361.8	4384.9	4389.5	4394.7	4346.4	+48.3

Additional information on the FT-SE Actuaries Share Indices is published in Saturday issues.
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TRADING VOLUME

■ Major Stocks Yesterday

	Vol. 000s	Closing price	Day's change
[illegible]	[illegible]	[illegible]	[illegible]

Based on trading volume for a selection of major securities dealt through the SEAQ system yesterday until 4.30pm. † Indicates an FT-SE 100 Index constituent. All trades are rounded. Source: FT Extel.

شكرا من الأهل

Highs & Lows shown on a 52 week basis

WORLD STOCK MARKETS

EUROPE

AUSTRIA (Aug 6 / Sch)

BELGIUM/LUXEMBOURG (Aug 6 / Frs.)

CZECH REP (Aug 6 / Koruna)

DENMARK (Aug 6 / Kr)

FINLAND (Aug 6 / Mkk)

FRANCE (Aug 6 / Frs.)

GERMANY (Aug 6 / Dm.)

GREECE (Aug 6 / Drachma)

ITALY (Aug 6 / Lira)

NETHERLANDS (Aug 6 / Fls.)

NORWAY (Aug 6 / Kroner)

POLAND (Aug 6 / Zloty)

PORTUGAL (Aug 6 / Escudo)

SPAIN (Aug 6 / Pts.)

SWEDEN (Aug 6 / Kronor)

SWITZERLAND (Aug 6 / Frs.)

TURKEY (Aug 6 / TK Lira)

PACIFIC

JAPAN (Aug 6 / Yen)

AUSTRALIA (Aug 6 / Aust$)

HONG KONG (Aug 6 / H.K.$)

INDONESIA (Aug 6 / Rupiah)

MALAYSIA (Aug 6 / MYR)

NEW ZEALAND (Aug 6 / NZ $)

SINGAPORE (Aug 6 / S$)

SOUTH KOREA (Aug 6 / Won)

TAIWAN (Aug 6 / TW $)

THAILAND (Aug 6 / Baht)

AFRICA

SOUTH AFRICA (Aug 6 / Rand)

NORTH AMERICA

CANADA

TORONTO (Aug 6 / Can $)

4 pm close

MONTREAL (Aug 6 / Can $)

4 pm close

INDICES

	Aug 6	Aug 5	Aug 2	1996 High		1996 Low	
Argentina							
General(29/12/77)	(u)	16576.97	16697.56	18881.86	20/5	15504.33	26/7
Australia							
All Ordinaries(1/1/80)	2222.9	2233.7	2208.6	2328.00	28/4	2096.10	17/7
All Mining(1/1/80)	994.8	998.9	989.0	1118.40	8/5	934.90	16/7
Austria							
Credit Aktien(30/12/84)	354.74	358.38	357.09	394.89	31/5	348.85	22/7
Traded Index(2/1/91)	1028.10	1031.46	1033.25	1142.51	28/5	976.27	2/1
Belgium							
BEL20(1/1/91)	1735.56	1747.81	1727.41	1773.28	28/5	1674.80	2/1
Brazil							
Bovespa(29/12/83)	(u)	62441	63635.0	66522.00	12/7	49891.00	2/1
Canada							
Metals Minls‡(1975)	(u)	(c)	5081.56	5624.80	8/5	4667.47	15/1
Composite‡(1975)	(u)	(c)	5015.59	5248.40	31/5	4738.70	15/1
Portfolio§§(4/1/83)	(u)	2490.38	2483.58	2603.56	27/5	2327.38	12/1
Chile							
IGPA Gen♥(31/12/80)	(u)	5538.75	5549.14	5894.33	8/1	5215.28	8/4
Denmark							
CopenhagenSE(3/1/83)	411.47	411.82	408.88	416.10	4/7	368.40	2/1
Finland							
HEX General(28/12/90)	2004.38	2012.10	2004.03	2070.42	31/5	1861.87	10/1
France							
SBF 250(31/12/90)	1370.54	1377.89	1382.69	1467.58	8/6	1268.18	2/1
CAC 40(31/12/87)	1988.34	2013.19	2023.41	2148.78	30/4	1867.86	11/1
Germany							
FAZ Aktien(31/12/58)	889.78	888.16	882.86	911.74	5/7	818.58	2/1
Commerzbank(1/12/53)	2381.90	2578.80	2560.90	2627.80	5/7	2370.10	2/1
DAX‡(30/12/87)	2522.47	2520.93	2508.65	2593.49	5/7	2284.86	2/1
Greece							
Athens SE(31/12/80)	879.66	883.46	884.51	1017.86	4/3	876.87	24/7
Hong Kong							
Hang Seng(31/7/64)	11134.80	11071.43	10981.57	11594.99	16/2	10204.87	2/1
India							
BSE Sens.(1978)	3481.20	3482.66	3511.63	4069.28	19/6	2828.08	25/1
Indonesia							
Jakarta Comp.(10/8/82)	554.79	562.83	580.98	639.21	24/4	512.48	2/1
Ireland							
ISEQ Overall(4/1/88)	2490.58	(c)	2485.94	2593.19	18/6	2234.81	2/1
Italy							
Banca Comm Ital(1972)	608.92	614.92	613.62	674.10	20/6	522.21	27/3
MIB General(2/1/95)	1032.0	1042.0	1040.0	1142.00	20/5	970.00	22/3
Japan							
Nikkei 225(16/5/49)	20744.88	21077.47	20940.41	22666.80	28/6	19734.70	13/3
Nikkei 300(1/10/82)	294.57	297.87	296.57	319.70	28/6	284.48	11/3
Topix(4/1/68)	1584.81	1601.88	1597.97	1722.13	28/6	1524.12	13/3
2nd Section(4/1/68)	2110.48	2126.71	2129.58	2281.48	2/7	1982.76	14/3
Malaysia							
KLSE Comp.(4/4/86)	1093.52	1106.29	1096.17	1189.84	30/4	993.38	2/1
Mexico							
IPC(Nov 1978)	(u)	3177.86	3188.23	3362.89	22/5	2730.38	8/3
Netherland							
CBS TtlRtnGen(End 83)	624.4	626.5	625.2	652.80	12/6	538.50	2/1
CBS All Shr(End 83)	370.3	371.6	370.8	387.10	12/6	329.70	2/1
New Zealand							
Cap. 40(1/7/86)	2184.36	2177.47	2179.31	2263.06	4/1	2025.14	7/6
Norway							
Oslo SE(Ind)(2/1/83)	1365.88	1360.49	1368.67	1466.71	12/6	1259.88	30/1
Philippines							
Manila Comp(2/1/85)	3121.52	3153.98	3155.22	3374.40	5/7	2578.97	2/1
Portugal							
BVL 30(4/1/93)	1913.36	1910.33	1908.94	1989.29	3/7	1662.81	2/1
Singapore							
SES All-S'pore(2/4/75)	538.40	541.70	540.06	610.37	5/2	522.35	30/7
South Africa							
JSE Gold(28/9/78)	1832.7♥	1827.1	1809.1	2038.40	29/5	1346.40	2/1
JSE Ind.(28/9/78)	7998.7♥	7995.4	7813.3	8739.30	25/1	7723.20	28/5
South Korea							
KoreaCompEx"(4/1/80)	828.05	824.30†	828.23	986.84	7/5	805.35	29/7
Spain							
Madrid SE(30/12/85)	380.01	382.36	381.59	376.25	1/7	323.75	11/1
Sweden							
AffarsvarldsGen(1/2/37)	1940.5	1949.6	1943.3	2018.00	6/6	1706.90	22/1
Switzerland							
Swiss Bk Ind(31/12/58)	1724.45	1715.79	1708.06	1811.89	11/7	1515.19	17/1
SBC General(1/4/87)	1225.84	1221.39	1215.86	1284.56	11/7	1114.47	26/1
Taiwan							
WeightedPr."(30/6/66)	6286.98	6083.66	6160.99	6680.41	29/6	4690.22	5/2
Thailand							
Bangkok SET(30/4/75)	1125.49	1137.44	1164.83	1415.04	5/2	1084.04	31/7
Turkey							
Istanbul Crnp.(Jan 1986)	68985.2	67005.2	69453.7	73691.38	8/7	36779.30	2/1
WORLD							
MS Capital Intl(1/1/70)	763.8*	767.9	767.0	783.20	1/7	725.90	15/1
CROSS-BORDER							
Eurotrack 100(26/10/90)	1641.56	1644.68	1631.55	1709.78	4/7	1504.48	11/1
Euro Top-100(26/6/90)	1403.26	1410.03	1401.25	1466.28	26/4	1333.81	11/1
HSBC JC Drgn(31/12/88)	(u)	369.8	368.07	383.18	16/4	344.19	2/1
ING Bargs Emrg(7/1/92)	(u)	158.79	158.79	165.91	4/7	147.36	2/1

INDEX FUTURES

	Open	Sett Price	Change	High	Low	Est. vol.	Open Int.
CAC-40 (200 x Index)							
Aug	2015.0	2002.5	-14.0	2016.0	1995.0	12,184	24,946
Sep	2019.5	2008.0	-14.0	2021.0	2004.5	514	21,754
DAX							
Sep	2532.5	2536.0	+4.0	2539.5	2523.0	15,636	-
Dec	2547.5	2564.5	+5.0	2557.0	2542.0	117	5,229
OMX							
Jul	1502.00	1496.55	-10.25	1504.50	1496.50	2,828	15,883
Aug	1508.75	1508.00	-4.50	1511.50	1506.00	322	2,584
SOFFEX							
Aug	3822.0	3835.9	+6.90	3846.0	3815.0	5,970	28,144
Oct	-	3846.5	-	-	-	20	261

" Sat Aug 3: Taiwan Weighted Price 6168.87; Korea Comp Ex 824.68. Base values of all indices are 100 except Australia All Ordinary and Mining - 500; Austria Traded, BEL20, HEX Gen., MIB Gen., BVL30, SBF250, CAC40, Euro Top-100, ISEQ Overall; Toronto Comp./Metals & Minerals and DAX - all 1,000; JSE Gold - 255.7; JSE 20 Industrials - 264.3; NYSE All Common - 50 and Standard and Poor's - 10. §§ Montreal. ‡ Toronto. (c) Closed (u) Unavailable. ‡ IBIS/DAX after-hours index: Aug 6 - 2527.73 +7.21.

US INDICES

Dow Jones	Aug 5	Aug 2	Aug 1	1996 High	1996 Low	Since compilation High	Since compilation Low
Industrials	5674.28	5679.83	5594.75	5778.00 (22/5)	5032.94 (10/1)	5778.00 (22/5/96)	41.22 (8/7/32)
Home Bonds	102.39	102.30†	101.57	106.09 (14/2)	100.99 (15/7)	108.77 (18/10/93)	54.99 (1/10/81)
Transport	2068.47	2051.34	2018.81	2296.28 (22/5)	1882.71 (18/1)	2296.20 (22/5/96)	12.32 (8/7/32)
Utilities	212.82	211.82	208.06	234.00 (12/2)	204.86 (30/7)	256.46 (31/8/93)	10.50 (8/4/32)

DJ Ind. Day's high 5719.04 (5708.93) Low 5639.14 (5559.89) (Theoretical‡)
Day's high 5696.11 (5697.11) Low 5661.34 (5580.38) (Actual‡)

Standard and Poors	Aug 5	Aug 2	Aug 1	1996 High	1996 Low	Since compilation High	Since compilation Low
Composite‡	660.23	662.49	650.02	678.51 (24/5)	598.48 (10/1)	678.51 (24/5/96)	4.40 (1/6/32)
Industrials♥	781.23	783.03	769.55	807.88 (5/6)	702.07 (15/1)	807.88 (5/6/96)	3.62 (21/6/32)
Financial	68.36	68.16	67.10	69.16 (2/6)	58.67 (10/1)	69.16 (2/6/96)	8.64 (1/10/74)
NYSE Comp.	352.81	353.87	347.78	363.74 (24/5)	321.41 (10/1)	363.74 (24/5/96)	4.46 (25/4/42)
Amex Mkt Val	546.59	548.97	544.12	614.98 (22/5)	525.60 (18/7)	614.98 (22/5/96)	29.31 (9/12/72)
NASDAQ Cmp	1120.53	1124.92	1098.85	1249.14 (5/6)	988.57 (15/1)	1249.14 (5/6/96)	54.87 (31/10/72)

■ RATIOS

	Aug 2	Jul 26	Jul 19	Year ago
Dow Jones Ind. Div. Yield	2.20	2.28	2.30	2.43
	Jul 31	Jul 17	Jul 10	Year ago
S & P Ind. Div. yield	2.10	2.32	2.03	2.07
S & P Ind. P/E ratio	21.35	18.63	21.97	18.68

■ NEW YORK ACTIVE STOCKS

Monday	Stocks traded	Close price	Change on day
Micron Tc	8,846,700	20¾	-2¼
AT & T	4,874,800	54⅛	+¼
Glaxo Wl	3,716,000	27⅝	-⅛
First Col	3,629,700	34¼	+4¾
Utd Hlcare	2,975,400	36⅞	+1¼
Compaq Cp	2,815,100	54⅝	-1⅝
Silicon	2,767,400	22⅝	+½
Avalon	2,446,000	23¼	-¼
CalFed	2,391,100	22⅝	—
Pepsico	2,345,800	32¼	-¼

■ TRADING ACTIVITY

● Volume (million)

	Aug 5	Aug 2	Aug 1
New York SE	303.788	444.744	440.629
Amex	15.993	19.824	20.689
NASDAQ	406.676	592.083	514.954
NYSE			
Issues Traded	3,178	3,205	3,180
Rises	1,131	2,102	1,973
Falls	1,225	505	546
Unchanged	822	588	661
New Highs	78	135	76
New Lows	24	23	43

	Open	Latest	Change	High	Low	Est. vol.	Open Int.
■ S&P 500							
Sep	661.70	662.00	+0.30	662.00	660.85	46,682	178,202
Dec	-	672.50	-	-	667.30	396	10,061

	Open	Sett price	Change	High	Low	Est. vol.	Open Int.
■ Nikkei 225							
Sep	20840.0	20770.0	-330.0	20900.0	20750.0	19,482	232,567
Dec	20850.0	20840.0	-340.0	20950.0	20810.0	397	13,974

Open interest figures for previous day.

† Correction. * Calculated at 15.00 GMT. ⊕ Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. ‡ The DJ Ind. Index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock; whereas the actual day's highs and lows (supplied by Telekurs) represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's). ♥ Subject to official recalculation.

Prices supplied by Telekurs

NOTES - Prices on this page are as quoted on the individual exchanges and are mostly last traded prices. * Calendar year high and low. ‡ Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all. † Priced in US $

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■ TOKYO - MOST ACTIVE STOCKS: Tuesday, August 6, 1996

	Stocks Traded	Closing Prices	Change on day
TYK Corp	12.1m	1280	+160
Nichiboshin	5.3m	410	+35
Nippon Stl Corp	3.3m	358	-6
Daido Stl Sheet	3.2m	1170	-10
Sumitomo Mtl Ind	3.2m	318	-7
Rhythm Watch	3.1m	400	+2
Mitsui Matushima	2.9m	620	+65
Kanematsu Corp	2.8m	619	+16
Mitsubishi Matl	2.5m	543	
Sanyo Spl Steel	2.5m	428	-8

4 pm close August 6

NEW YORK STOCK EXCHANGE PRICES

1996 High	Low	Stock	Div	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
23¾	17¾	AAR x	0.48	2.4	18	381	19⅞	19½	19⅝	
46⅛	36⅛	AMP x	1.00	2.5	19	2164	40	39⅝	40	+⅛
87½	68	AMR			16	4570	83	81	81½	-1½
50½	37⅞	ASA	2.00	4.9	27	217	41	40⅝	40⅞	-⅛
46⅛	38⅛	AbbtL	0.96	2.1	20	10485	u46⅛	45¼	45⅞	+⅝
17¼	12¼	Abitibi Pr	0.40	3.1	8	626	12⅞	12¾	12⅞	
18¾	6¾	ABM Ind	0.35	1.9	18	595	u18¾	18⅛	18½	+⅜
18⅝	13⅞	Acpdncelo			47	115	18⅜	17⅞	18⅛	+⅛
50⅜	37¾	ACE Ltd	0.56	1.3	10	3189	44½	43⅝	44½	+½
10⅛	9⅛	ACM Gvt In	0.90	9.0	8	225	d10⅛	10	10	-⅛
7⅞	6⅝	ACM GvOpp	0.57	8.0		65	7⅛	7	7⅛	+⅛
7¼	6	ACM Gvt Sp	0.66	10.2		405	6⅝	6½	6½	-⅛
9⅛	8¼	ACM Gvt Se	0.90	10.1		277	8⅞	8¾	8⅞	+⅛
9½	8⅜	ACM Msc	0.90	9.9		213	9¼	9⅛	9⅛	-⅛
13⅞	6⅛	Acme Elect			40	55	7⅞	7⅜	7⅜	-½
17½	15	Acme Mills			9	44	15⅝	15¼	15¼	-¼
33¾	27¾	Acordia	0.80	2.6	17	72	30½	30⅛	30½	-⅛
21⅞	12	Acuson			69	375	13⅞	13½	13⅞	
19½	17⅞	Adams Expr	0.48	2.6	0	81	18¼	18⅝	18¾	
21¼	10¼	AdvMic			8	6924	13	12⅛	13	+½
11⅛	8½	Advest Grp	0.16	1.6	7	71	10	10	10	+⅛
26⅛	8⅛	Advo Inc	0.10	1.0	500	136	10⅛	10	10	-⅛
50⅜	41⅛	Aegon	1.19	2.5	14	47	48½	48⅛	48⅛	+⅛
6⅛	3½	Aeroflex			3	182	5⅝	5⅜	5⅜	-⅛
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4 pm close August 6

NYSE PRICES

1996 High	Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Chg'e Prev. Close
Continued from previous page										
20 3/8	12	SciAtl	0.06	0.4	35	2818	14 1/8	13 5/8	14	-1/8
21	17	Scotman	0.10	0.5	12	103	20 1/2	20 1/4	20 3/8	+1/4
47 1/2	38 1/8	Scripps	0.52	1.2	24	277	43 1/4	42 7/8	43	+3/8
19 1/8	13 3/4	ScuddrNAsF	0.02	0.1		199	13 1/2	13 3/8	13 1/2	-1/8
12 7/8	11	ScuddrNEuF	0.16	1.3		264	12 1/2	12 1/4	12 3/8	
20 1/2	16	SeaCnB x	0.17	0.9	2	75	18 1/2	18 3/8	18 1/2	+1/8
16	15	SeaC1.4625	1.46	9.8		2100	15 1/4	15 1/4	15 1/4	
67 3/4	38 1/8	S'gate			23	7478	48 3/4	47 7/8	48 1/2	-3/4
38 3/8	30 7/8	Seagrm	0.60	1.8	23	2147	33 3/4	33 3/8	33 3/4	-1/8
26	17 1/8	Seagull En			11	1447	18 1/8	17 7/8	18	-1/4
38 1/8	26	Sealed Air			24	201	36	35 7/8	35 7/8	
53 7/8	38 1/4	SearsR	0.92	2.2	15	22315	42 7/8	40 3/4	42 3/4	+1/2
22 7/8	19 3/4	SecCapStB x	1.24	6.0	19	1177	21 1/8	20 3/4	20 3/4	-1/4
13	11 7/8	Seligm Sel	0.84	6.7		123	12 5/8	12 3/8	12 5/8	+1/8
29 3/4	13 3/8	Sensormat x	0.22	1.4	13	4632	15 3/4	15	15 1/2	-5/8
44 7/8	29 1/2	SequaA	0.60	1.4	110	40	42 3/8	42	42	-5/8
50	39	SequaB	0.60	1.1	124	80	47 3/8	47 1/4	47 1/4	
60 1/4	38 7/8	ServCp	0.46	0.8	26	1420	57 3/8	56 3/4	57 1/4	+1/8
23 1/2	19 1/2	SvMstr	0.68	3.0	14	769	23 1/4	22 5/8	23	
6 1/4	4 1/2	ServMerch			10	4064	4 7/8	4 5/8	4 5/8	-1/8
48 3/4	28 1/2	SGSThm			7	553	38 1/8	35 5/8	38	
15 1/8	10 5/8	Shaw Ind	0.30	2.1	36	2077	14 1/8	13 5/8	14 1/8	+1/2
13 1/2	10 1/8	Shelby Wa	0.32	2.5	15	214	u13 1/2	12 3/4	12 7/8	+1/8
89 7/8	75 5/8	ShellTr	3.26	3.8	18	194	85 7/8	86 1/2	86 7/8	+1/4
47	39	SherW	0.70	1.5	18	586	46 1/4	45 5/8	46	
13 1/8	7 7/8	Shoneys			11	614	9 7/8	9 3/4	9 7/8	
35 1/2	19 3/4	Showboat	0.10	0.5	31	847	21 1/4	20 3/4	21	+1/8
26	22 3/4	Sierra Pac	1.18	4.7	11	404	25 3/8	25 1/8	25 1/8	-1/8
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Price data supplied by Telekurs

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AMEX PRICES

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NASDAQ NATIONAL MARKET

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* FINANCIAL TIMES Wednesday August 7 1996

AMERICA

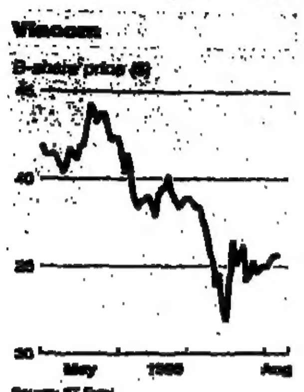
AT&T in reverse as Dow eases

Wall Street

A second day of extremely light trading brought a modest 0.3 per cent fall in the Dow Jones Industrial Average yesterday morning amid some profit-taking following last week's strong stock market advance, *writes Richard Waters in New York.*

By lunchtime, the Dow was down 20.34 at 5,653.94, or just over 2 per cent off its May record. The broader Standard & Poor's 500 was off 1.79 at 658.44, and the Nasdaq composite was 0.26 lower at 1,120.27.

Among the biggest movers



Source: FT Extel

in the Dow, AT&T shed $1 to $53¾, giving up some of its *gains of recent days.* The reversal brought an end to the rebound in the long-distance telephone company's shares which had followed a long slide during much of July, leaving the *stock 14 per cent below* where it was a month ago. The company disappointed Wall Street with weaker than expected growth in the second quarter but it has since recovered, due in part *to a step forward last week* in the opening up of local telephone markets to competition.

Westinghouse Electric slipped $¼ to $16⅝ as the company warned that its CBS television network would suffer a poor third quarter. Like two other products of recent big media mergers, Walt Disney and Viacom, Westinghouse had also suffered from an end to Wall *Street's romance* with the new media giants. Viacom's B shares, unchanged at $35⅝, had slipped 20 per cent in the past two months. Disney's stock, some 16 per cent off its March high, was up $⅛ at $58½.

The enthusiasm for managed healthcare companies, touched off by Monday's announcement of a takeover of *FHP* by *PacifiCare*, continued, bringing a further recovery in the battered sector. Among those to add to considerable gains seen the day before, Humana rose $1⅛ to $18⅞, Health Systems added $1¼ to $24½ and Oxford Health Plans rose $1/16 to $40 1/16.

One of the most actively traded stocks was Micron *Technology, which had* dropped sharply on Monday. It rebounded equally strongly, rising $1⅞ to $22. Among the Nasdaq's most active shares, meanwhile, was Sun Microsystems, which shed $2⅝ to $53 on an analyst's downgrade.

Canada

Toronto came back from a day's holiday and had a good morning in golds, which showed a sector gain of more than a percentage point. But it saw weakness in the oil and gas sector and in *industrial products, and the TSE* 300 composite index at noon came in 1.50 lower at 5,014.09.

Volume eased from 30.26m shares to 24.39m. Inco and Diamond Fields Resources *rose in active trading, up 30* cents to C$43, and C$1.80 to C$40.80 respectively after the settlement of a lawsuit which had stalled Inco's C$4.3bn takeover of the exploration company.

São Paulo off 2%

The forthcoming expiry of options kept the pressure on *SAO PAULO* during the morning, and by midsession the Bovespa index was off 1,334 or 2.1 per cent at 61,107.

Options were scheduled to expire on August 19, while the futures index contracts expire on August 14, and brokers commented that speculative trading was likely to be a dominant influence between now and then. Many investors were also awaiting first half data from the heavily capitalised Telebras, due during the course of the week.

MEXICO CITY was marginally softer by midday as the IPC index stood off 4.69 at 3,182.57.

The market was awaiting the central bank's weekly primary auction, at which domestic interest rates were expected to be cut, later in the session.

BUENOS AIRES moved in a narrow range ahead of a cabinet meeting today at which the government was due to finalise new tax measures. The Merval index was off 5.23 at 544.12.

● Bear Stearns in New York yesterday raised its rating on Mexico to neutral from underweight and cut Peru to neutral from overweight.

Gold shares fall 1.5%

Gold stocks slid back with most investors unimpressed as bullion held above the $388 level. The gold index lost 27.9, or 1.5 per cent, to 1,832.7 as the overall index fell 15.5 to 6,780.5 and industrials lost 16.6 to 7,999.7.

Dealers said that the absence of support from other precious metals in the commodity markets had depressed trading in gold shares. One remarked that the lack of support from platinum and silver, for instance, had made many investors consider *that the recent strength in gold could be* temporary.

EUROPE

KLM hits air pocket on Q1 disappointment

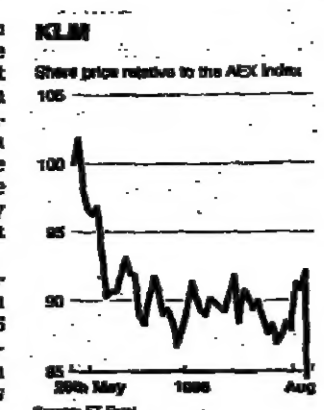
KLM tumbled 8 per cent in AMSTERDAM, after the Dutch carrier released first quarter results which were a disappointment to most analysts. The shares fell to a session low of Fl 50.50, before *some buyers came into the* market and the stock finally closed down Fl 4.70 at Fl 51.30.

The airline reported doubled net profits of Fl 271m for the quarter but the 1996 figure included an exceptional gain of Fl 245m from *the sale of preference shares* in its US partner, Northwest.

Consequently, brokers were disappointed, and pointed to declining load factors on a number of routes, particularly in Asia. The *airline said that pressure on tariffs and increased costs* had been the main reason *for the decline in operating* profit.

Although the number of passengers carried by the airline rose by 10 per cent during the first three months of the year, the crucial yield per passenger kilometre fell by 1 per cent owing to the pressure on ticket prices. In addition, there was a significant decline in profitability on cargo routes.

Wolters Kluwer, in contrast, put on 4.7 per cent as the publisher issued a better-



Source: FT Extel

than-expected set of first half figures, and said it was raising its forecast for the full year. The shares gained Fl 10.20 to Fl 205.

Akzo Nobel came under pressure ahead of today's half year results. The shares eased Fl 3 to Fl 188.70, with many analysts expecting the company to announce profits for the period of Fl 358m, down from Fl 384m.

FRANKFURT mulled over a rising unemployment rate, speculated about an interest rate cut, and bought banks, as the Dax index closed 7.21 higher at an Ibis-indicated 2,527.73.

Turnover climbed DM2bn *to DM7.5bn and the big five* banks accounted for DM2.3bn of that. All of them figured in the active stocks list, with Commerzbank leading the top ten in DM826bn as it rose DM5.60 to DM352.60; Bayernverein, again, led the sector's share price gains as it rose DM1.04 *to DM54.04,* up nearly 10 per cent already this month, after a 16.7 per cent gain in July.

Ms Barbara Altmann at B Metzler suspected sector rotation from chemicals, where *Hoechst fell* 42 pfg to DM49.65 and Bayer 33 pfg to DM50.05. Elsewhere, Veba's DM1.40 gain at DM78.08 was ascribed to a related taste for defensive stocks; and Lufthansa's DM2.35 fall to DM207.20 was blamed on the disappointing KLM quarterly.

PARIS came under the twin pressures of weak bond and currency markets. As the French currency fell to a four month low against the German mark, the CAC-40 index eased 13.85 to 1,999.34.

Elf Aquitaine was among a handful of shares to resist the downward trend, rising FFr3.40 to FFr368.90. The oil group found support from a broker's upgrade.

Also prominent on the plus side was Eurotunnel, up 10 centimes, or 1.2 per cent, *to FFr8.10, as the company* continued to benefit from a good set of load figures released earlier in the week.

There was little satisfaction *to be found in UAP's* first half turnover figures, released after the close on Monday. The shares tumbled FFr7.30, or 6.7 per cent, to FFr101.60.

Analysts said the data, which showed a rise in turnover to FFr85.4bn from FFr81bn in the comparable 1995 period, masked a drop in domestic life assurance activity. Another insurer, AGF, which is not a constituent of the *CAC-40,* lost FFr1.70 to FFr139, with some foreign institutions believed to be moving out of the sector.

St Gobain was off FFr8, or 1.3 per cent, to FFr618 ahead *of announcing a 14 per cent* increase in first half sales. However, when allowance was made for currency fluctuations the rise amounted *to 0.5 per cent.*

ZURICH dipped early, climbed and subsided as a choppy dollar led the market up and down; the SMI index *closed* 5.7 *higher* at 3,629.0, after peaking nearly 20 points better than that.

One of its best performers was ABB, the Swiss/Swedish engineering combine gaining SFr17 at SFr1,469, after a rise of SFr18 on Monday, on news of a $162 turnkey order for a Peruvian, multi-discipline energy project and ahead of tomorrow's half-year report.

Banks reversed Monday's pattern with UBS bearers up SFr9 at SFr1,193, while SBC was slightly weaker.

MADRID widened, and deepened, its worries in the consumption area as the general index fell 2.37 to 360.01.

Pryca, the supermarketeer, droped Pta115, or 3.7 per cent, to Pta3,020 on rumours that its July sales were poor; *and Tabacalera, a recent victim* of the government's higher tax plans for tobacco products, shed another Pta340, or *6.1 per cent,* to Pta5,230, 28 per cent off the *1996 peak it registered in* mid-July.

MILAN held its breath as investors awaited the outcome of a government meeting to discuss the privatisation of Stet. The Mibtel index lost 53 to 9,715, while the Comit eased 6 to 608.92.

Among telecoms stocks, Stet slipped L30 to L5,000 but subsidiary Sirti, the manufacturer of telecoms equipment, added L80 to L10,095 on expectations that it could be sold separately from its parent.

STOCKHOLM took a *second look at Monday's progress reports.* It stayed happy with Electrolux, which rose another SKr9 to SKr356; but Pharmacia & Upjohn, which had higher second *quarter* profits before restructuring *costs, reversed* Monday's gains to close SKr3.50 lower at SKr281.50.

The bourse also took profits. The Affärsvärlden General index fell *9.3 to* 1,940.3 with banks and insurance off 0.5 per cent, and Ericsson, Volvo and Astra down SKr3.50 to SKr134, SKr2 to SKr144 and SKr3 to SKr278 respectively.

Written and edited by William Cochrane and John Pitt

FT-SE Actuaries Share Indices

Aug 6					THE EUROPEAN SERIES			
Hourly changes	Open	10.30	11.00	12.00	13.00	14.00	15.00	Close
FT-SE Eurotrack 100	1642.38	1643.80	1644.05	1645.65	1643.91	1647.91	1642.82	1641.56
FT-SE Eurotrack 200	1695.47	1693.79	1695.63	1696.01	1696.08	1693.68	1694.69	1693.48
	Aug 5	Aug 2	Aug 1	Jul 31	Jul 30			
FT-SE Eurotrack 100	1644.66	1631.55	1609.16	1598.93	1592.93			
FT-SE Eurotrack 200	1696.64	1684.27	1657.27	1652.28	1646.68			

Base value 1000 (26/10/90). Highday: 100 - 1644.96; 200 - 1697.02 Lowday: 100 - 1640.02 200 - 1692.61. † Partial.

ASIA PACIFIC

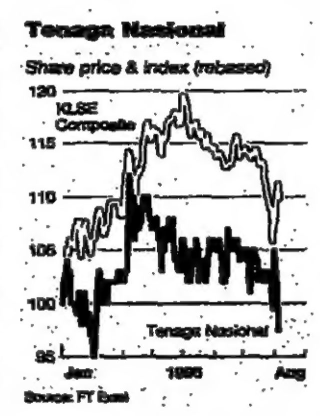
Tenaga shares punished after weekend blackout

The weekend blackout throughout peninsular Malaysia took the power utility, Tenaga Nasional, to a 12-month low and KUALA LUMPUR's composite index down 12.77 to 1,093.52.

Tenaga fell 45 cents, or 4.6 per cent, to M$9.30 in heavy *volume following a government* threat to take away its power distribution and transmission monopoly. The company said that the current grid was already duplicated and that an alternative *system would simply add to* the cost of power.

TAIWAN shot up 3 per cent after the government said it would speed up public construction projects to boost the economy. The weighted index closed 168.32 higher at 6,266.98 in active turnover of T$50.2bn.

The construction sector saw an early rise but the focus switched to banks. Waves of buying came in *during the last hour and the* financials index ended with a gain of 5.5 per cent.



Source: FT Extel

In London, the ISE/Nikkei 50 index rose 4.58 to 1,413.72.

Tokyo

A strengthening of the yen *against the dollar was amplified* in the Osaka futures market as it impacted upon equities, *writes Emiko Terazono in Tokyo.*

The Nikkei 225 average fell 332.58, or 1.6 per cent, to 20,744.88 after moving between 20,741.96 and 20,992.66. Osaka futures came under selling from overseas hedge funds, after *the Nikkei 225 futures in* Singapore lost ground.

Volume totaled 275m shares against 238m. Overseas investors were net sellers while domestic institutions also sold blue chips.

The Topix index of all first section stocks plunged 17.07 to 1,584.81 and the Nikkei 300 fell 3.36 to 294.51. Declines overwhelmed advances by *911 to 173 with 125* unchanged.

Speculative stocks led activity as individual investors bought back issues sold in earlier trading. TYK, the firebrick maker, was the most active issue of the day, rising Y160 to Y1,280. Nichiboshin, the non-bank financial institution, gained Y35 *to Y410.*

The yen's rise against the dollar led domestic institutions, foreigners and individuals to sell technology stocks. Toshiba fell Y12 to Y711, Sony Y90 to Y6,870 and *Kyocera Y70 to Y7,400.*

Carmakers were also weaker with Toyota down Y20 at Y2,670 and Honda Y30 at Y1,010.

Foreign investors sold large capital steels and shipbuilders. Nippon Steel fell Y8 to Y356 and Kawasaki Steel declined Y3 to Y382. Mitsubishi Heavy Industries declined Y7 to Y530.

Negative sentiment affected brokers as investors were discouraged by prospects of lower earnings due to the recent decline in activity. Nikko Securities lost Y30 at Y1,100.

In Osaka, the OSE average fell 210.47 to 21,904.23 in volume of 31.3m shares.

Roundup

Better-than-expected interim earnings from HSBC Holdings, released after Monday's *close, lifted HONG KONG.* However, there was evidence of profit-taking late in the day and the Hang Seng index, which had reached a high of 11,218.21, finished up 63.17 at 11,134.60. Turnover was HK$5.9bn.

HSBC hit an all-time closing high, up HK$4.50, or 3.5 per cent, to HK$182.50. Its Hang Seng Bank subsidiary saw a 34 per cent rise in interim profits, and *advanced HK$1, or* 1.3 *per* cent, to HK$80.

Bank of East Asia was caught up in the excitement and the shares advanced 40 cents, or 1.4 per cent, to HK$28.85. Its six month results are expected next Tuesday.

SHANGHAI began to speculate on forthcoming half year earnings reports. The B index gained 0.44 to 50.97.

Shanghai Lujiazui Finance & Trade Development Zone, which is expec*ted to increase its half year* dividend, dominated the session with a gain of 7.4 per cent to 87 cents.

SYDNEY took profits as the All Ordinaries index lost 10.8 to 2,222.9. Turnover was A$549.1m.

The gold sector was one of the day's few bright spots, rising 1 per cent after strength in the price of bullion. Plutonic Resources climbed 17 cents to A$6.05 and Newcrest Mining rose 7 cents to A$5.04.

WMC lost 28 cents to A$8.15 on reports that some brokers had downgraded their profit forecasts.

MANILA investors shifted into fixed income securities to take advantage of currently high interest rates. The composite index fell 32.46 to 3,121.52.

Analysts said the high interest rates were caused by the tax payments to the government combined with the *shorting* of peso positions last week.

JAKARTA took profits and the JKSE composite index fell 8.04, or 1.4 per cent, to 554.79.

However, Gajah Surya, the multi-finance subsidiary of the Gajah Tunggal group, *shot up Rp350, or* 30 per cent, to Rp1,500 on acquisition talk: Gajah Tunggal and another related company, Andayani Megah, rose Rp50 to Rp1,250 and Rp125 to Rp1,375 respectively..

BANGKOK *cooled off on* the support fund plan, investors took profits on recent gains and the SET index ended 11.96 lower at 1,125.48 in turnover of Bt3.7bn.

The support fund, set up *by finance companies* and banks after the index fell15 per cent in July, was expected to enter the market later this week; but brokers said it was not expected to have a major impact.

FT/S&P ACTUARIES WORLD INDICES

The FT/S&P Actuaries World Indices are owned by FT-SE International Limited, Goldman, Sachs & Co. and Standard & Poor's. The Indices are compiled by FT-SE International and Goldman Sachs in conjunction with the Faculty of Actuaries and the Institute of Actuaries. NatWest Securities Ltd. was a co-founder of the Indices.

NATIONAL AND REGIONAL MARKETS Figures in parentheses show number of lines of stock	MONDAY AUGUST 5 1996 US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	FRIDAY AUGUST 2 1996 US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	DOLLAR INDEX 52 week High	52 week Low	Year ago (approx)
Australia (80)	197.73	1.0	189.87	133.27	152.27	170.11	1.0	4.24	195.74	188.16	132.32	150.39	168.44	212.18	177.98	184.73
Austria (24)	179.05	-0.3	171.94	120.68	137.89	137.83	-0.1	2.04	179.64	172.68	121.44	138.03	137.97	196.49	168.11	196.49
Belgium (27)	217.11	0.8	208.49	146.34	167.20	163.45	1.0	4.07	215.33	207.00	145.57	165.45	161.83	217.11	188.06	200.56
Brazil (28)	178.94	-1.2	171.83	120.61	137.80	332.43	-1.2	1.92	181.04	174.03	122.38	139.10	336.50	189.70	123.97	149.21
Canada (119)	158.66	0.0	152.35	106.94	122.18	157.92	-0.0	2.27	158.63	152.49	107.24	121.88	157.92	165.12	134.14	148.30
Denmark (30)	312.67	0.2	300.25	210.75	240.79	243.46	0.5	1.89	312.04	299.96	210.94	239.75	242.35	312.67	276.88	294.19
Finland (23)	198.05	0.5	190.18	133.49	152.52	186.89	0.7	2.67	197.04	189.42	133.20	151.40	185.56	278.11	171.73	261.17
France (96)	192.46	-0.8	184.82	129.72	148.22	152.05	-0.5	3.17	194.00	186.49	131.15	149.06	152.74	198.39	167.70	190.64
Germany (58)	174.14	0.3	167.22	117.37	134.10	134.10	0.5	1.82	173.64	166.92	117.38	133.41	133.41	174.38	155.66	167.01
Hong Kong (58)	426.11	1.0	409.18	287.21	328.15	423.18	1.0	3.38	421.78	405.46	285.13	324.07	418.90	451.19	348.81	367.78
Indonesia (27)	197.43	0.5	189.58	133.07	152.04	283.41	0.4	1.68	196.41	188.81	132.78	150.91	282.37	-	-	-
Ireland (16)	281.63	0.1	270.44	189.82	216.88	246.71	0.0	3.53	281.35	270.47	190.20	216.18	246.71	290.82	235.88	248.70
Italy (58)	77.84	-0.4	74.74	52.46	59.94	88.13	-0.4	2.43	78.12	75.09	52.81	60.02	88.49	84.53	67.22	82.35
Japan (481)	150.97	0.8	144.97	101.75	116.26	101.75	0.3	0.75	150.07	144.26	101.45	115.30	101.45	164.68	137.75	148.87
Malaysia (107)	544.22	1.6	522.60	366.81	419.11	522.36	1.6	1.72	535.39	514.67	361.93	411.36	514.40	585.09	425.77	552.71
Mexico (19)	1214.20	-0.2	1165.95	818.39	935.06	10024.82	0.0	1.33	1216.95	1169.86	822.67	935.03	10025.65	1325.65	781.99	1200.85
Netherland (19)	297.44	0.1	285.62	200.48	229.06	225.54	0.3	3.20	297.06	285.57	200.82	228.24	224.77	298.69	245.79	261.29
New Zealand (15)	83.50	-0.3	80.18	56.28	64.30	64.89	-0.3	4.18	83.73	80.49	56.60	64.33	65.07	84.71	75.94	82.83
Norway (35)	247.87	-0.8	238.02	167.07	190.89	215.30	-0.4	2.10	249.80	240.14	168.87	191.93	216.23	256.94	222.24	242.94
Philippines (22)	205.61	-0.3	197.44	138.58	158.34	268.41	-0.3	0.61	206.17	198.20	139.38	158.41	269.15	-	-	-
Singapore (44)	395.59	1.3	379.87	266.64	304.65	258.14	1.3	1.47	390.47	375.36	263.96	300.01	254.88	465.21	355.81	377.41
South Africa (44)	343.51	1.9	329.86	231.53	264.54	335.05	1.5	2.22	337.14	324.09	227.91	259.04	330.06	437.76	329.57	354.44
Spain (37)	180.10	0.1	172.94	121.39	138.69	171.88	0.2	3.40	179.96	173.02	121.67	138.29	171.51	183.85	145.15	160.51
Sweden (48)	352.09	-0.4	338.10	237.32	271.15	344.49	0.2	2.48	353.48	339.80	238.96	271.59	343.90	360.77	280.13	289.18
Switzerland (37)	248.08	0.7	238.30	165.88	189.51	183.38	0.5	1.62	244.45	234.99	165.25	187.82	182.39	252.34	191.24	201.89
Thailand (45)	151.74	3.0	145.71	102.28	116.86	148.68	2.9	2.24	147.32	141.62	99.59	113.19	144.46	193.95	141.28	189.03
United Kingdom (199)	236.78	0.6	227.36	159.60	182.35	227.38	0.5	4.14	235.41	226.30	159.14	180.88	226.30	237.48	216.52	227.07
USA (625)	268.69	-0.4	258.01	181.10	206.92	268.69	-0.4	2.20	269.77	259.33	182.37	207.27	269.77	276.47	226.74	228.13
Americas (791)	245.49	-0.4	235.74	165.47	189.06	206.46	-0.4	2.20	246.45	236.91	166.60	189.36	207.26	252.43	208.19	209.50
Europe (708)	211.79	0.2	203.37	142.75	163.10	182.50	0.3	3.09	211.34	203.16	142.87	162.38	181.98	213.30	189.33	199.02
Nordic (136)	304.54	-0.2	292.44	205.26	234.52	260.42	0.2	2.37	305.22	293.41	206.33	234.52	259.85	306.61	261.13	280.54
Pacific Basin (880)	163.63	0.7	157.13	110.29	126.02	113.00	0.5	1.20	162.48	156.20	109.84	124.84	112.48	177.01	148.86	159.77
Euro-Pacific (1588)	183.58	0.5	176.29	123.74	141.38	139.28	0.4	2.11	182.72	175.65	123.52	140.33	138.74	190.57	166.51	176.02
North America (744)	261.91	-0.4	251.50	176.53	201.70	261.31	-0.4	2.21	262.91	252.74	177.73	202.00	262.31	269.52	221.79	223.18
Europe Ex. UK (507)	193.04	0.0	185.37	130.11	148.66	156.47	0.2	2.53	193.01	185.55	130.48	148.30	156.16	194.86	169.65	179.35
Pacific Ex. Japan (399)	281.25	1.1	270.07	189.57	216.59	244.16	1.1	3.00	278.08	267.32	187.99	213.66	241.50	296.68	243.59	263.31
World Ex. US (1796)	184.74	0.5	177.40	124.52	142.27	143.81	0.4	2.11	183.88	176.78	124.31	141.29	143.28	191.55	167.38	177.10
World Ex. UK (2222)	208.12	0.0	199.85	140.27	160.27	174.95	0.0	1.95	208.02	199.97	140.63	159.83	174.95	213.05	185.61	189.25
World Ex. Japan (1940)	243.42	-0.1	233.75	164.07	187.46	229.50	0.0	2.55	243.54	234.12	164.64	187.12	229.57	247.55	212.62	217.25
The World Index (2421)	210.65	0.1	202.28	141.98	162.22	179.72	0.0	2.15	210.46	202.31	142.27	161.70	179.65	214.95	188.48	192.54